

**AGENDA AND NOTICE OF MEETING  
STATE OF WISCONSIN  
EMPLOYEE TRUST FUNDS BOARD**

**Friday, March 20, 2009  
8:30 a.m.  
Holiday Inn Hotel and Suites  
1109 Fourier Drive  
Madison, Wisconsin**

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Documents for this meeting are available on-line at:  
**[http://etf.wi.gov/boards/board\\_etf.htm](http://etf.wi.gov/boards/board_etf.htm)**  
To request a printed copy of any of the agenda items, please contact  
*Cindy Gilles at (608) 261-0736.*

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*\*Marilyn Wigdahl chairs meeting*



**☛** *Denotes action item*

- |            |          |  |
|------------|----------|--|
| 8:30 a.m.  | <b>☛</b> | 1. <b>Consideration of Minutes of December 12, 2008, Meeting</b>   |
| 8:35 a.m.  |          | 2. <b>Announcements</b>  |
| 8:40 a.m.  | <b>☛</b> | 3. <b>Election of Officers</b>   |
| 8:50 a.m.  |          | 4. <b>Committee Reports</b> <ul style="list-style-type: none"><li>• <b>Executive Committee Report</b></li></ul>  |
| 9:00 a.m.  | <b>☛</b> | 5. <b>Board Discussion and Consideration</b> <ul style="list-style-type: none"><li>• <b>Wisconsin Retirement System 26<sup>th</sup> Annual Valuation of Retired Lives December 31, 2008 (Brian Murphy and Mark Buis, Gabriel, Roeder, Smith &amp; Company)</b></li><li>• <b>Discussion of Funding Corridor</b></li><li>• <b>Proposal for Single Day Quarterly Board Meetings</b></li></ul> |
| 9:50 a.m.  |          | 6. <b>Operational Updates</b> <ul style="list-style-type: none"><li>• <b>Secretary's Report</b></li><li>• <b>Member Correspondence</b></li><li>• <b>Annual Retirement Statistics</b></li><li>• <b>Budget Update</b></li><li>• <b>Tax Counsel Contract</b></li><li>• <b>Future Items for Discussion</b></li></ul>   |
| 10:05 a.m. |          | <b>Break</b>   |

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The meeting location is handicap accessible. If you need other special accommodations due to a disability, please contact Cindy Gilles, Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931. Telephone: (608) 261-0736. Wisconsin Relay Service 7-1-1. E-mail: [cindy.gilles@etf.state.wi.us](mailto:cindy.gilles@etf.state.wi.us)

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- 10:15 a.m.        7.    **Approvals**
- **Employee Reimbursement Accounts Program: Approval to Issue Request for Proposals**
- 10:25 a.m.                    \*8.    **Personnel Matters**
- **Secretary's Evaluation Timetable**
  - **Sample of Managers' Survey**
- 10:40 a.m.        \*9.    **Appeal**
- **2007-024-ETF**
- 10:55 a.m.                    10.    **Announcement of Action Taken on Business Deliberated During Closed Session**
- 11:05 a.m.                    11.    **Adjournment**

*Times shown are estimates only.*

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\*    **The Board may be required to meet in closed session pursuant to the exemptions contained in Wis. Stats. § 19.85 (1) (a) and (c) for quasi-judicial deliberations and to discuss personnel matters.**

**If a closed session is held, the Board will reconvene into open session for further action on these and subsequent agenda items.**

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**MINUTES OF MEETING**

**DRAFT**

**STATE OF WISCONSIN  
EMPLOYEE TRUST FUNDS BOARD**

**Friday, December 12, 2008**

**Holiday Inn Hotel and Suites  
1109 Fourier Drive  
Madison, Wisconsin**

**BOARD PRESENT:**

Marilyn Wigdahl, Chair  
Wayne Koessl, Vice-Chair  
Robert Niendorf, Secretary  
John David  
Jennifer Donnelly  
Rosemary Finora  
Theron Fisher  
Kathy Kreul  
Irena Macek  
Wayne McCaffery  
Gary Sherman  
Nancy Thompson

**PARTICIPATING ETF STAFF:**

Dave Stella, Secretary  
Bob Conlin, Deputy Secretary  
Cindy Gilles, Board Liaison  
Sari King, Office of Legislative Affairs, Communications and  
Quality Assurance  
Pam Henning, Division of Management Services  
Bob Willett, Office of Trust Finance and Data Analysis

**OTHERS PRESENT:**

Michelle Baxter, Division of Insurance Services  
Brian Belford, Legislative Audit Bureau  
Keith Bozarth, State of Wisconsin Investment Board  
Brandon Brickner, Legislative Audit Bureau  
Sue Chamberlain, UW Systems  
Jerry Dietzel, Office of Trust Finance & Data Analysis  
Sandy Drew, State of Wisconsin Investment Board  
Caitlin Frederick, Department of Administration  
William Ford, Wisconsin Legislative Council  
Bryan Hass, Milwaukee Journal Sentinel  
Vicki Hearing, State of Wisconsin Investment Board  
Steve Hurley, Office of Policy, Privacy & Compliance  
Norm Jones, Gabriel, Roeder, Smith and Company

Board	Mtg Date	Item #
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Dan Joyce, State Engineering Association  
Douglas King, The Madison Group  
Jon Kranz, Office of Internal Audit and Budget  
Brian Murphy, Gabriel, Roeder, Smith and Company  
David Nispel, Office of Legislative Affairs, Communications  
and Quality Assurance  
Paul Ostrowski, Office of State Employment Relations  
Linda Owen, Office of Policy, Privacy and Compliance  
Terry Rhodes  
Steve Scheible, Teachers Retirement Board  
Matt Stohr, Office of Legislative Affairs, Communications  
and Quality Assurance  
John Vincent, Office of Internal Audit  
Sharon Walk, Office of the Secretary  
Rob Weber, Chief Counsel, Office of the Secretary  
Karen West, WEAC – Retired  
John (last name illegible), Madison Newspapers

Marilyn Wigdahl, Chair, Employee Trust Funds Board (Board), called the meeting to order at 8:30 a.m.

#### **CONSIDERATION OF MINUTES OF PREVIOUS MEETING**

***Motion: Ms. Thompson moved approval of the minutes of the September 19, 2008, meeting as submitted by the Board Liaison. Mr. Koessl seconded the motion, which passed without objection on a voice vote.***

#### **ANNOUNCEMENTS**

There were no announcements.

#### **BOARD DISCUSSION AND CONSIDERATION**

**Design Philosophy of the Wisconsin Retirement System: Core vs. Variable** Bob Conlin, Deputy Secretary, directed the Board to the two informational memos on the Variable Fund. He reminded the Board that, at the June 2008 meeting, the Board voted to recommend that the Variable Fund be phased out and asked the Department to provide options for phasing it out. Mr. Conlin shared that, at the Teachers Retirement (TR) Board meeting on December 11, 2008, TR Board members expressed an interest in being able to weigh-in on the Variable Fund with the Employee Trust Funds (ETF) Board before a final decision is made on the matter. Mr. Conlin reminded members of the following options for phase out of the Variable Fund that were presented at the September meeting:

Option A: Leave the Variable Fund open, but proactively expand participant education on concerns about the risk/return ratio of Variable Fund investments and the potential negative effects of Variable participation on Wisconsin Retirement System (WRS) benefits. This will better enable participants to make well-informed decisions about whether to elect or cancel Variable participation. *Note: This option does not phase out the Variable Fund, but is intended to provide comprehensive participant education on the risk/return of participation.*

Option B: Close the Variable Fund to new employees who begin WRS participation on or after the effective date of the change.

- Participants who began WRS coverage before the effective date of the closure would still be eligible to elect Variable participation at any time.
- Participants whose elections to participate in the Variable Fund were effective prior to the date the Fund is closed continue to make Variable contributions until such time as they may elect to cancel their Variable participation.
- Proactively expand participant education on concerns about the risk/return ratio of Variable Fund investments and the potential negative effects of Variable participation on WRS benefits.

Option C: Close the Variable Fund to new employees who begin WRS participation on or after the effective date of the change and close the Variable Fund to existing WRS covered employees not currently participating in the Variable Fund.

- Participants whose elections to participate in the Variable Fund were effective prior to the date the Fund is closed continue to make Variable Fund contributions until such time as they may elect to cancel participation.
- Proactively expand participant education on concerns about the risk/return ratio of Variable Fund investments and the potential negative effects of Variable participation on WRS benefits.

Option D: Close the Variable Fund to all new contributions.

- Proactively expand participant education on concerns about the risk/return ratio of Variable Fund investments and the potential negative effects of Variable participation on WRS benefits.

After discussing the options, the Board made the following motion:

***Motion: Mr. Koessl moved to approve Option C for recommendation to the Legislature. Mr. David seconded the motion, which passed without objection on a voice vote.***

The Department will prepare a written recommendation in January to the Joint Survey Committee on Retirement Systems clarifying the points discussed at the June meeting and the Board's recommendation to close the Variable Fund using Option C. ETF and SWIB will also continue their education efforts on the Variable fund.

Mr. Koessl thanked Ms. King, Mr. Vincent and Department staff involved in providing the information to assist the Board in making a decision.

**Actuarial Update on Projected Future Contribution Rates and Other Actuarial Items for Consideration** Brian Murphy and Norm Jones of Gabriel, Roeder, Smith & Company discussed future contribution rates with the Board. They provided specific detail and possible scenarios on how the current economic situation could affect contribution rates. Contribution rates are likely to increase over the next several years, possibly as much as six percentage points higher than they are today if there is no recovery in the market.

Mr. Murphy and Mr. Jones also discussed the concept of a "corridor." A corridor is an accounting practice whereby gains and losses are recognized sooner when the funding value exceeds a predetermined amount. Some retirement systems have a corridor between 10% and 20% while others have no limitations. The advantage of no limitation is that it produces the most near-term smoothing. Future Board meetings will include more discussion on the effects of implementing a corridor on the statutory changes that would be required to implement a corridor.

**Core Fund Dividend Projections** Bob Willett, Controller and Chief Trust Finance Officer with the Department, reviewed the dividend process. He noted that SWIB should have the final assets and investment returns calculated by the end of January and the annuity adjustments announced by February or March.

## APPROVALS

**Development of and Appointments to Board Committees** Bob Conlin, Deputy Secretary, opened the discussion on the development of an Executive Committee, Audit Committee, and Budget and Operations Committee. Charters have been drafted for all committees and he noted that the committees can be phased in over time.

The Board discussed dissolving the Personnel Evaluation Committee (PEC) and moving its duties into the Executive Committee.

***Motion: Ms. Kreul made a motion to move the duties of the Personnel Evaluation Committee into the Executive Committee. Ms. Finora seconded the motion, which passed without objection on a voice vote.***

The Board determined that the Executive Committee should be in place by the next meeting. After discussion the Board decided that the Executive Committee should meet on an as-needed basis.

***Motion: Mr. Koessl made a motion to accept the proposed Executive Committee Charter with the modification that the Committee should meet on an as-needed basis. Ms. Kreul seconded the motion, which passed without objection on a voice vote.***

The Board discussed the Audit Committee Charter, the size of the Committee and the frequency of the Committee meetings.

***Motion: Mr. Sherman made a motion to adopt the proposed Audit Committee Charter with the modification that it consist of 3 members and that it meet at least once per year, and more frequently if required. Mr. McCaffery seconded the motion, which passed without objection on a voice vote.***

The Board discussed the Budget and Operations Committee Charter, the size of the Committee and the frequency of the Committee meetings.

***Motion: Mr. David made a motion to adopt the proposed Budget and Operations Committee Charter with the modification that it consist of 3 members and that it meet at least once per year, and more frequently if required. Ms. Macek seconded the motion, which passed without objection on a voice vote.***

## **OPERATIONAL UPDATES**

**Secretary's Report** Dave Stella, Secretary, shared the following with the Board:

- The Benefit Payment System (BPS) was activated in October with the November annuity payments being made from it. There are numerous benefits to BPS. Ultimately, the Department would like members to be able to access their accounts. However, this will not happen until all security issues are resolved.
- The new Lump Sum Payment System is expected to be operational in early 2010.
- The Health Insurance Electronic Enrollment Validation and Payment (EVP) System will improve the timeliness and accuracy of premium payments to vendors. Employers will eventually be able to enroll their employees in the health plans on-line.
- ETF will be using Microsoft 2007 by the end of December.
- ETF and SWIB will continue their communication efforts regarding market conditions with various entities.
- All vacant ETF positions must be approved by the Department of Administration before they can be opened for recruitment. ETF currently has 16 vacancies.
- Discussions have begun with the Department of Administration regarding the biennial budget request.

Mr. Conlin shared with the Board that Chairperson Wigdahl signed a letter to the Governor in support of the Department's budget request. Mr. Conlin referred Board members to the remaining informational reports in their binders.

## **COMMITTEE REPORTS**

**Personnel Evaluation Committee (PEC) Report** Marilyn Wigdahl, Chair, reported on the December 11, 2008, PEC meeting. The committee discussed the progress the department has made on the new Benefit Payment System and the recent reorganization. The committee also reviewed the proposed committee charters and discussed the Secretary's evaluation process and general performance expectations of the Secretary. The committee then convened to closed session to discuss various personnel matters.

## PERSONNEL MATTERS

**Department Reorganization** Bob Conlin, Deputy Secretary, reviewed the department reorganization, going from five divisions down to three divisions. The Governor has approved the reorganization.

**Annual Performance Evaluation Process and Performance Expectations for the Department Secretary** Pam Henning, Division of Management Services, discussed the annual evaluation process of the Secretary. At the end of April or beginning of May, Ms. Henning will forward the annual performance criteria to the Board members along with the accomplishments. Board members will complete the evaluation, return it to Ms. Henning by a specified deadline and she will tally the information. The information will be provided to the Board in advance of the June Board meeting.

The Board requested that a mechanism for the Board to obtain feedback from ETF staff on the Secretary's performance be developed. The Board requested a copy of the outline of the process, the timeline, and the various evaluation tools used in the Department.

## ADJOURNMENT

***Motion: Ms. Kreul moved to adjourn the meeting. Mr. Koessl seconded the motion, which passed without objection on a voice vote.***

The Employee Trust Fund Board meeting adjourned at 11:25 a.m.

Date Approved: \_\_\_\_\_

Signed: \_\_\_\_\_

Robert Niendorf, Secretary  
Employee Trust Funds Board



2009

**EMPLOYEE TRUST FUNDS BOARD  
MEMBERSHIP ROSTER**

MEMBER NAME	TERM BEGAN	TERM EXPIRES	MEMBERSHIP REQUIREMENTS
David John	6/26/08	5/1/10	§ 15.16(1)(b) Appointed by Wisconsin Retirement Board Any Wisconsin Retirement Board member 4-year term
Donnelly Jennifer	3/23/07	Ex Officio	§ 15.16 (1)(intro.) Director of the Office of State Employment Relations or the Director's designee Ex Officio
Finora Rosemary	8/8/06	5/1/09	§ 15.16 (1)(c) Appointed by Governor, with Senate confirmation Public member who is not a participant in or beneficiary of the WRS, with at least five years of experience in actuarial analysis, administration of an employee benefit plan, or significant administrative responsibility in a major insurer 4-year term
Fisher Theron	5/1/07 (5/03-5/07)	5/1/11	§ 15.16 (1)(d) Elected by WRS Annuitants WRS Annuitant as defined for purposes other than life insurance under § 40.02 (4) 4-year term
Vacant * (Gale)			§ 15.16 (1)(b)2 Appointed by Wisconsin Retirement Board Wisconsin Retirement Board member appointed under § 15.165 (3)(b) 3, 6 or 7 (participating employee of city or village, or participating state employee) 4-year term
Koessler (V) Wayne	5/1/00 (5/96-5/00)	5/1/04	§ 15.16 (1)(b)1 Appointed by Wisconsin Retirement Board Wisconsin Retirement Board member appointed under § 15.165 (3)(b)1, 2, 4, 5 or 8 (chief executive, finance officer or member of governing body of a participating city or village, county clerk, deputy county clerk, chairperson, or member of the governing body of a participating county or town, or public member who is not a participant) 4-year term
Kreul Kathleen	5/1/07 (5/03-5/07)	5/1/11	§ 15.16 (1)(f) Elected by educational support personnel WRS participant who is either a public school district educational support personnel employee or a technical college district educational support employee 4-year term
Macek Irena	5/1/00	5/1/04	§ 15.16 (1)(a)3 Appointed by Teachers Retirement Board Teachers Retirement Board member elected under § 15.165 (3)(a)7 (City of Milwaukee teacher participant) 4-year term
McCaffery Wayne	5/1/07 (5/03-5/07) (5/99-5/03)	5/1/11	§ 15.16 (1)(a)1 Appointed by Teachers Retirement Board Teachers Retirement Board member appointed or elected under § 15.165 (3)(a) 1 or 2 (public or vocational school teacher) 4-year term
Niendorf (S) Robert	5/1/00 (5/92-5/96) (5/96-5/00)	5/1/04	§ 15.16 (1)(a)2 Appointed by Teachers Retirement Board Teachers Retirement Board member appointed under § 15.165 (3)(a)4 (UW teacher participant) 4-year term
Sherman Gary	1/24/05	Ex Officio	§ 15.16 (1)(intro.) Governor or the Governor's designee on the Group Insurance Board Ex Officio
Thompson Nancy	5/1/01	5/1/05	§ 15.165 (3)(a) 5 Appointed by Teachers Retirement Board Teachers Retirement Board member appointed under § 15.165 (3)(a) 3 or 5 (public school administrator or school board member) 4-year term
Wigdahl (C) Marilyn	5/1/99 (6/87-5/91) (6/91-5/95) (5/95-5/99)	5/1/03	§ 15.16 (1)(b) 3 Appointed by Wisconsin Retirement Board Wisconsin Retirement Board member appointed under § 15.165 (3)(b) 7 or 8 (participating state employee or public member who is not a participant) 4-year term

\*Rick Gale resigned in December 2008. A replacement has not yet been appointed.

(C) – Chair (V) – Vice-Chair (S) – Secretary

MAILINGS FOR BOARD MEMBERS SHOULD BE SENT TO:

Employee Trust Funds Board  
c/o Cindy Gilles, Board Liaison  
Department of Employee Trust Funds  
PO Box 7931  
Madison WI 53707-7931  
Phone (608) 261-0736

(Revised 12/5/08)



STATE OF WISCONSIN  
Department of Employee Trust Funds  
David A. Stella  
SECRETARY

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***CORRESPONDENCE MEMORANDUM***

**DATE:** March 20, 2009  
**TO:** Employee Trust Funds Board  
**FROM:** Cindy Gilles  
Board Liaison  
**SUBJECT:** Election of Officers

By statute, Wis. Stat. § 15.07 (2), the Employee Trust Funds Board must elect new officers at the first meeting of each calendar year. The current officers and the expiration dates of their terms on the Board are shown below.

Chair	Marilyn Wigdahl	05/01/2003
Vice-Chair	Wayne Koessl	05/01/2004
Secretary	Robert Niendorf	05/01/2004

It has been past practice for new officers to assume their duties effective immediately following the meeting at which they are elected.

Enclosure/Roster

Board	Mtg Date	Item #
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**WISCONSIN RETIREMENT SYSTEM**  
**26<sup>TH</sup> ANNUAL ACTUARIAL VALUATION OF RETIRED LIVES**  
**DECEMBER 31, 2008**



This report is 100% recyclable

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March 3, 2009

Employee Trust Funds Board  
Madison, Wisconsin

Ladies and Gentlemen:

The results of the **26th annual actuarial valuation of core and variable annuities** being paid from the Wisconsin Retirement System are presented in this report. The valuation was based upon data, furnished by the WRS staff, concerning Fund assets and individual annuitants and beneficiaries.

The date of this valuation was **December 31, 2008**. Actuarial assumptions used in the valuation are summarized in the Appendix.

The results of the valuation may be briefly summarized as follows (\$ millions).

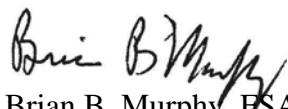
	Core	Variable
Number of Annuitants	144,107	34,927
Annual Amount	\$ 3,399.3	\$ 427.0
Fund Balance	35,798.1	2,574.5
Actuarial Reserve	36,551.5	4,491.0
<b>Ratio</b>	<b>0.979</b>	<b>0.573</b>

**Based upon these results, core annuities were decreased by 2.1% effective April, 2009 and variable annuities were decreased by 42%.**

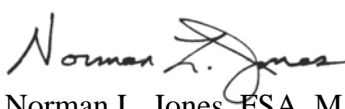
To the best of our knowledge, this report is complete and accurate and was made in accordance with standards of practice prescribed by the American Standards Board. All of the undersigned are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

The cooperation of the Secretary and his staff in gathering materials for this valuation is acknowledged with appreciation.

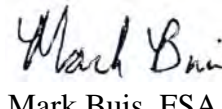
Respectfully submitted,



Brian B. Murphy, FSA, MAAA



Norman L. Jones, FSA, MAAA



Mark Buis, FSA, MAAA

BBM/NLJ/MB:lr

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**SECTION A**  
**OPERATION OF THE SYSTEM**

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## **OPERATION OF THE RETIREMENT SYSTEM**

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Each year, as of December 31, an actuarial valuation of the liability for retired persons receiving benefits from the Wisconsin Retirement System is conducted. The purpose of the valuation is to determine the actuarial present value of future benefit payments on behalf of current retired lives. This present value is the “actuarial reserve”. Theoretically, if an amount of money equal to the actuarial present value were invested at a yield equal to the valuation interest rate, the initial amount plus the continuing investment income would provide exactly the right amount of money to pay the annuities of all current retired persons and their beneficiaries for the rest of their lives. The fund would decrease each year, and would become zero many decades in the future when the last annuitant dies.

The above is a “closed group” description of the operation of the annuity reserve fund. But the fund is really an “open group”. The size of the fund does not actually decrease because each year more benefits are added to the rolls than are removed, and fresh money is transferred into the annuity reserve fund to finance the benefits of the new annuitants. (The actuary calculates the reserve transfers for new annuitants each year as a by-product of the actuarial valuation.)

According to theory, the fund will eventually reach a state when the number of people entering (retiring) each year is approximately equal to the number of people exiting (dying) each year. When this mature state is reached, the amount of money in the fund will remain approximately level in constant dollars from year to year. Each year, the reserve transfers for the new annuitants plus investment earnings on the whole fund (total money in) will be approximately equal to the benefit payments (total money out). The only source of growth in assets would be the result of the effects of inflation. The dollars in the fund would increase, but the “real” value of the fund would not change.

There are at least two factors that cause the actual operation to be different from the theoretical operation described above. The first is that annuitants may have longer or shorter lifetimes than expected. In recognition of this, the actuary monitors mortality experience of the retirement system and recommends a new mortality table when appropriate. The second factor is that actual investment earnings are rarely equal to the assumed rate. When investment earnings differ from the assumed rate, the difference, positive or negative, is recorded in a supplemental reserve.



## OPERATION OF THE RETIREMENT SYSTEM

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The Wisconsin Retirement System maintains separate reserves for core and variable annuities. Each year, the actuary determines the actuarial reserve for core and variable annuities separately. WRS' practice with respect to the use of supplemental reserves is described below.

***Core Annuity Division:*** If the supplemental reserve is positive and is at least 0.5% of core annuity liabilities, core annuity increases (dividends) may be granted. If the supplemental reserve is negative and is equal to or greater than 0.5% of core annuity liabilities in absolute value, prior core annuity dividends are reduced by an aggregate amount equal to the shortfall. Increases or decreases become effective in April following the December 31 valuation.

***Variable Annuity Division:*** If the supplemental reserve is at least 2% of variable annuity liabilities, substantially all of the reserve (dropping fractions of a percent) is used to increase or decrease variable annuities for the ensuing year. Increases or decreases become effective in April following the December 31 valuation.

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**SECTION B**  
**CORE ANNUITIES**

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**CORE ANNUITY DIVISION**  
**DEVELOPMENT OF ASSETS AND LIABILITIES**

	\$ Millions		Ratio
	Assets	Liabilities	
<b>Ending Balance December 31, 2007</b>	\$35,050.1	\$32,877.5	1.066
Closing Adjustments	2.3	0.0	
Variable Terminations	112.4	112.4	
2008 Dividend: 6.6%	0.0	2,021.0	
<b>Beginning Balance January 1, 2008</b>	35,164.8	35,010.9	1.004
<b>Increases</b>			
Reserve Transfers	2,869.9	2,869.9	
Regular Interest	1,739.1	1,739.1	
Additional Earnings	(640.9)	0.0	
Addition to Contingency/Data Reserve	0.0	221.5	
Experience Study	0.0	0.0	
Other	0.0	44.9	
<b>Total Increases</b>	3,968.1	4,875.4	
<b>Decreases</b>			
Annuities & Lump Sums	3,331.8	3,331.8	
Credit Re-establishments	3.0	3.0	
Releases from Contingency/Data Reserve	0.0	0.0	
Experience Study	0.0	0.0	
Other	0.0	0.0	
<b>Total Decreases</b>	3,334.8	3,334.8	
<b>Ending Balance December 31, 2008</b>	<b>\$35,798.1</b>	<b>\$36,551.5</b>	<b>0.979</b>

The ending liability balance includes data and mortality reserves of \$612 million.

**RESERVE TRANSFER RECOMMENDATION**  
**DECEMBER 31, 2008**

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Amounts to be transferred from the Employer Reserve and the Employee Reserve to the Annuity Reserve to cover liabilities for new annuities are computed as the first step in the annual actuarial valuation. The actuarial present value at time of retirement of core annuities reported as new since the last actuarial valuation is \$2,844,186,779. Adjustments to prior transfers, related to estimated annuities for which final computations have now been made, totaled \$25,714,186. Reserve transfers are distributed as follows:

<b>Group</b>	<b>Regular Transfer</b>	<b>Adjustment to Prior Transfer</b>	<b>Total Transfer</b>
General	\$2,555,333,534	\$25,926,403	\$2,581,259,937
Protective with Social Security	200,419,428	(309,068)	200,110,360
Protective without Social Security	66,695,198	230,440	66,925,638
Executive & Elected	21,738,619	(133,589)	21,605,030
<b>Totals</b>	<b>\$2,844,186,779</b>	<b>\$25,714,186</b>	<b>\$2,869,900,965</b>

Accordingly, we recommend that \$2,869,900,965 be transferred to the Core Annuity Reserve. The results in this report assume that this transfer has been made.

**DISCUSSION OF DIVIDEND**  
**DECEMBER 31, 2008**

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The Core Annuity Fund Balance, \$35,798.1 million, was less than the actuarial present value of core annuities and reserves, \$36,551.5 million, by \$753.4 million or (2.1)% of the actuarial present value (APV) of core annuity payments. The primary sources of the (2.1)% are:

	<b>% of APV</b>
1. SWIB published investment return	(26.20)%
2. MRA adjustment	29.50%
3. Published effective earnings rate	3.30%
4. Adjustment to relate earnings to average fixed annuity balance	(0.16)%
5. Earnings rate based on average balance	3.14%
6. Expected dividend before adjustments: 1.0314/1.05-1	(1.77)%
7. Adjustment to relate average asset to ending liability	0.02%
8. Carryover from last year due to timing of dividend accounting adjustments and rounding	0.42%
9. Adjustments to contingency reserve and data reserve	(0.61)%
10. Experience Study	0.00%
11. Experience and other effects	(0.12)%
12. Statutory adjustment to round to nearest one-tenth percent	(0.04)%
<b>13. Computed dividend rate: (6)+(7)+(8)+(9)+(10)+(11)+(12)</b>	<b>(2.1)%</b>

In accordance with the Administrative Code, ETF 20.25 and Section 40.27(2) Wisconsin Statutes (see page 27), the (2.1)% was effective April, 2009.

**TRANSFERS TO ANNUITY RESERVE  
TO FINANCE CORE ANNUITIES APPROVED IN 2008  
TABULATED BY TYPE OF ANNUITY AND OPTION**

Alpha Code	Type of Benefit	Number	Annual Amount	Present Value
<b>REGULAR RETIREMENT</b>				
SL	Straight Life	1,146	\$ 23,153,526	\$ 313,165,975
SL	Straight Life (accelerated)	0	4,773,407	16,910,986
A60	Life Annuity with 60 payments guaranteed	852	17,341,205	234,048,823
A60	Life Annuity with 60 payments guaranteed (accelerated)	0	3,988,745	13,459,259
A180	Life Annuity with 180 payments guaranteed	1,692	32,039,398	458,641,791
A180	Life Annuity with 180 payments guaranteed (accelerated)	0	9,374,336	36,841,858
A180F	Life Annuity with 180 payments guaranteed (forced)	39	216,310	2,615,654
JOINT	Joint and 75% Survivor	846	20,446,476	308,330,832
JOINT	Joint and 75% Survivor (accelerated)	0	5,887,890	22,858,943
R25	Reduced 25% on First Death	409	11,119,692	159,097,999
R25	Reduced 25% on First Death (accelerated)	0	1,941,296	7,588,737
C100	100% Continued to Named Survivor	687	13,919,891	212,268,014
C100	100% Continued to Named Survivor (accelerated)	0	3,361,244	12,352,472
C180	100% Continued to Named Survivor with 180 payments guaranteed	2,476	56,511,087	887,814,157
C180	100% Continued to Named Survivor with 180 payments guaranteed (accelerated)	0	17,672,429	70,000,670
AC24	Annuity Certain with 24 Payments	1	14,692	30,212
AC60	Annuity Certain with 60 Payments	1	27,353	121,357
AC120	Annuity Certain with 120 Payments	3	46,838	373,152
AC180	Annuity Certain between 24 and 180 Payments	11	613,798	5,042,755
SLNSD	Straight Life - Named Survivor Deceased	2	76,225	968,072
	Total Regular	8,165	\$222,525,838	\$2,762,531,718
	Average Age at Retirement	60.1 Years		
<b>DISABILITY RETIREMENT</b>				
SL	Straight Life	21	\$ 522,954	\$ 7,064,629
A60	Life Annuity with 60 payments guaranteed	12	308,344	4,137,029
A180	Life Annuity with 180 payments guaranteed	41	913,851	12,400,665
JOINT	Joint and 75% Survivor	6	174,151	2,553,216
R25	Reduced 25% on First Death	4	151,243	2,336,944
C100	100% Continued to Named Survivor	27	648,668	9,732,184
C180	100% Continued to Named Survivor with 180 payments guaranteed	63	1,551,452	25,141,276
	Total Disability	174	\$ 4,270,663	\$ 63,365,943
	Average Age at Retirement	54.3 Years		
<b>DEATH-IN-SERVICE BENEFITS</b>				
SL	Straight Life	6	\$ 182,214	\$ 2,489,777
A60	Life Annuity with 60 payments guaranteed	5	187,362	2,102,369
A60	Life Annuity with 60 payments guaranteed (accelerated)	0	6,444	30,745
A180	Life Annuity with 180 payments guaranteed	49	851,019	12,658,654
A180	Life Annuity with 180 payments guaranteed (accelerated)	0	191,928	1,003,785
AC180	Annuity Certain between 24 and 180 Payments	1	2,079	3,793
	Total Death-in-Service	61	\$ 1,421,046	\$ 18,289,123
	Average Age at Retirement	52.8 Years		
<b>GRAND TOTAL</b>		<b>8,400</b>	<b>\$228,217,547</b>	<b>\$2,844,186,784</b>

*In cases where an individual is receiving more than one annuity, the person only appears once in the above number counts, but the corresponding annual amounts can show up in several different places, depending on the option elected for the different annuities. This can result in, for example, a number count of zero (or a very low number count) combined with a significant annual dollar amount in the above table.*

## CORE ANNUITIES BEING PAID DECEMBER 31, 2008 TABULATED BY TYPE OF ANNUITY AND OPTION

Alpha Code	Type of Benefit	Number	Annual Amount	Present Value
<b>REGULAR RETIREMENT</b>				
SL	Straight Life	17,833	\$ 343,308,958	\$ 3,492,463,713
SL	Straight Life (accelerated)	0	21,009,984	51,010,058
A60	Life Annuity with 60 payments guaranteed	18,250	348,897,158	3,366,521,302
A60	Life Annuity with 60 payments guaranteed (accelerated)	0	21,047,539	44,576,368
A120	Life Annuity with 120 payments guaranteed	370	6,245,484	22,995,665
A180	Life Annuity with 180 payments guaranteed	30,207	578,581,269	5,879,070,549
A180	Life Annuity with 180 payments guaranteed (accelerated)	0	49,436,902	125,565,578
A180F	Life Annuity with 180 payments guaranteed (forced)	170	1,186,791	11,914,959
JOINT	Joint and 75% Survivor	16,716	426,695,391	5,059,366,230
JOINT	Joint and 75% Survivor (accelerated)	0	33,534,675	77,564,696
R25	Reduced 25% on First Death	12,434	369,464,754	3,826,442,730
R25	Reduced 25% on First Death (accelerated)	0	12,748,958	29,344,905
C100	100% Continued to Named Survivor	11,685	249,993,221	2,993,224,178
C100	100% Continued to Named Survivor (accelerated)	0	19,097,325	45,612,721
C180	100% Continued to Named Survivor with 180 payments guaranteed	27,159	633,497,903	8,664,084,811
C180	100% Continued to Named Survivor with 180 payments guaranteed (accelerated)	0	88,155,109	224,951,485
LOL	Life with Optional Length Guaranteed	108	1,750,099	9,587,635
LOLF	Life with Optional Length Guaranteed (Forced)	10	179,889	998,407
AC24	Annuity Certain with 24 Payments	1	14,692	27,654
AC60	Annuity Certain with 60 Payments	1	27,353	107,553
AC120	Annuity Certain with 120 Payments	3	46,838	356,875
AC180	Annuity Certain between 24 and 180 Payments	112	4,018,305	19,338,687
C50	50% Continued to One Beneficiary	118	2,448,488	10,447,680
C50W180	50% Continued to One Beneficiary with 180 Months guaranteed	17	169,161	707,434
C75WSS	75% Continued to One Beneficiary and Social Security Integrated	111	2,498,260	16,437,575
R25W120	Reduced 25% on Death of Annuitant or Named Survivor with 120 Months guaranteed	15	322,288	1,038,494
A60WSS	Life with 60 Months Guaranteed and Social Security Integrated	286	2,203,328	9,459,325
A180WSS	Life with 180 Months Guaranteed and Social Security Integrated	201	4,667,611	21,637,357
PF6213	Police and Firemen s.62.13	244	9,248,561	45,720,684
SLNSD	Straight Life - Named Survivor Deceased	451	12,790,831	127,305,433
Total Regular		136,502	\$3,243,287,125	\$34,177,880,741

(concluded on next page)

*In cases where an individual is receiving more than one annuity, the person only appears once in the above number counts, but the corresponding annual amounts can show up in several different places, depending on the option elected for the different annuities. This can result in, for example, a number count of zero (or a very low number count) combined with a significant annual dollar amount in the above table.*

## CORE ANNUITIES BEING PAID DECEMBER 31, 2008 TABULATED BY TYPE OF ANNUITY AND OPTION

Alpha Code	Type of Benefit	Number	Annual Amount	Present Value
<b>DISABILITY RETIREMENT</b>				
SL	Straight Life	873	\$ 21,254,746	\$ 190,599,950
A60	Life Annuity with 60 payments guaranteed	477	11,782,227	115,940,244
A180	Life Annuity with 180 payments guaranteed	1,226	28,817,910	305,612,465
JOINT	Joint and 75% Survivor	516	11,638,074	131,785,745
R25	Reduced 25% on First Death	247	5,472,235	59,966,840
C100	100% Continued to Named Survivor	1,306	25,411,105	305,688,692
C180	100% Continued to Named Survivor with 180 payments guaranteed	1,675	35,174,106	483,278,008
AC180	Annuity Certain between 24 and 180 Payments	2	11,380	19,762
DWSMC	Disability with Spouse or Minor/Dependent Child	36	838,868	7,383,601
DWOSMC	Disability without Spouse or Minor/Dependent Child	5	115,673	1,167,202
CWD	Conservation Warden - Disability	1	1,535	5,402
PF6213	Police and Firemen s.62.13	28	626,366	3,366,770
SLNSD	Straight Life - Named Survivor Deceased	5	81,351	572,229
Total Disability		6,397	\$ 141,225,576	\$ 1,605,386,910
<b>DEATH-IN-SERVICE BENEFITS</b>				
SL	Straight Life	197	\$ 2,706,523	\$ 27,826,961
SL	Straight Life (accelerated)	0	135,612	225,265
A60	Life Annuity with 60 payments guaranteed	120	1,944,785	19,639,410
A60	Life Annuity with 60 payments guaranteed (accelerated)	0	56,181	246,863
A180	Life Annuity with 180 payments guaranteed	704	8,444,572	101,459,863
A180	Life Annuity with 180 payments guaranteed (accelerated)	0	971,509	4,119,432
C180	100% Continued to Named Survivor with 180 payments guaranteed	3	12,169	201,297
LOL	Life with Optional Length Guaranteed	15	160,808	853,477
AC180	Annuity Certain between 24 and 180 Payments	8	90,653	303,185
A60WSS	Life with 60 Months Guaranteed and Social Security Integrated	83	126,312	598,725
A180WSS	Life with 180 Months Guaranteed and Social Security Integrated	1	12,720	76,079
PF6213	Police and Firemen s.62.13	3	99,027	663,174
Total Death-in-Service		1,134	\$ 14,760,871	\$ 156,213,731
<b>GRAND TOTAL</b>		<b>144,033</b>	<b>\$3,399,273,572</b>	<b>\$35,939,481,382</b>

*In cases where an individual is receiving more than one annuity, the person only appears once in the above number counts, but the corresponding annual amounts can show up in several different places, depending on the option elected for the different annuities. This can result in, for example, a number count of zero (or a very low number count) combined with a significant annual dollar amount in the above table.*



**CORE ANNUITIES BEING PAID DECEMBER 31, 2008**  
**TABULATED BY ATTAINED AGES**

Attained Ages	Regular		Disability		Death-in-Service		Totals	
	No.	Annual Amount	No.	Annual Amount	No.	Annual Amount	No.	Annual Amount
Under 20	0	\$ 0	0	\$ 0	6	\$ 37,915	6	\$ 37,915
20-24	0	0	5	46,114	9	68,226	14	114,340
25-29	0	0	5	35,322	12	87,519	17	122,841
30-34	1	5,869	13	135,631	16	94,737	30	236,237
35-39	6	43,847	30	469,156	21	123,068	57	636,071
40-44	17	194,991	91	1,694,172	22	180,500	130	2,069,663
45-49	75	803,847	218	4,423,812	34	296,182	327	5,523,841
50-54	1,125	30,446,247	627	14,088,629	75	968,201	1,827	45,503,077
55-59	14,792	448,140,962	1,120	27,276,451	116	2,227,186	16,028	477,644,599
60-64	26,800	731,527,043	1,172	27,185,349	144	2,569,864	28,116	761,282,256
65-69	27,375	595,630,758	1,010	22,998,492	142	2,330,034	28,527	620,959,284
70-74	22,187	487,352,540	817	18,413,285	107	1,512,971	23,111	507,278,796
75-79	17,611	404,592,825	641	12,981,733	112	1,245,388	18,364	418,819,946
80-84	13,214	293,598,718	404	7,462,371	128	1,453,470	13,746	302,514,559
85-89	8,057	164,771,473	179	3,054,945	83	759,132	8,319	168,585,550
90-94	3,412	55,530,722	56	861,372	52	329,372	3,520	56,721,466
95& Up	923	12,639,666	8	87,390	16	110,698	947	12,837,754
Certain Only*	907	18,007,617	10	11,352	104	366,408	1,021	18,385,377
<b>Totals</b>	<b>136,502</b>	<b>\$3,243,287,125</b>	<b>6,406</b>	<b>\$141,225,576</b>	<b>1,199</b>	<b>\$14,760,871</b>	<b>144,107</b>	<b>\$3,399,273,572</b>

Averages in Years

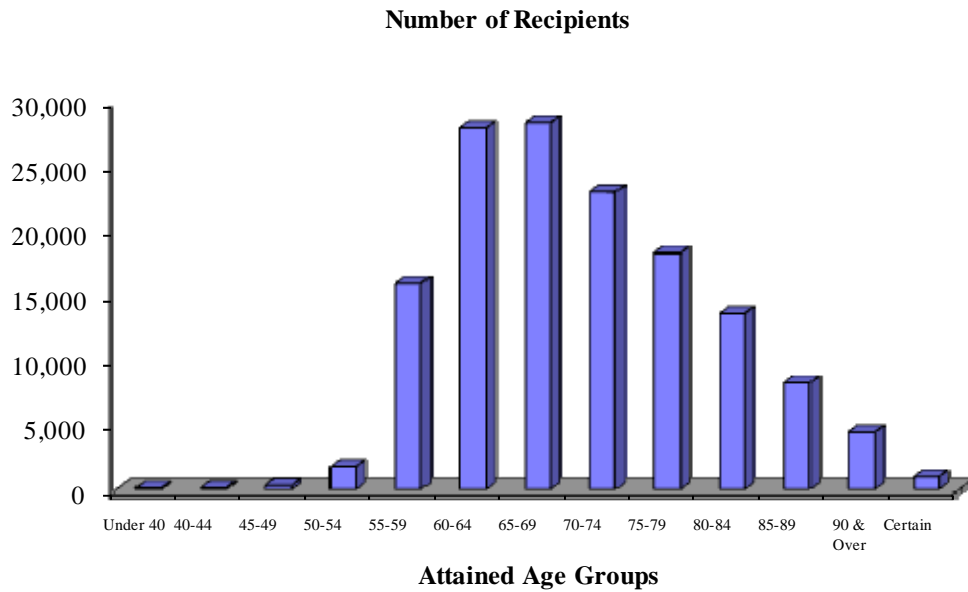
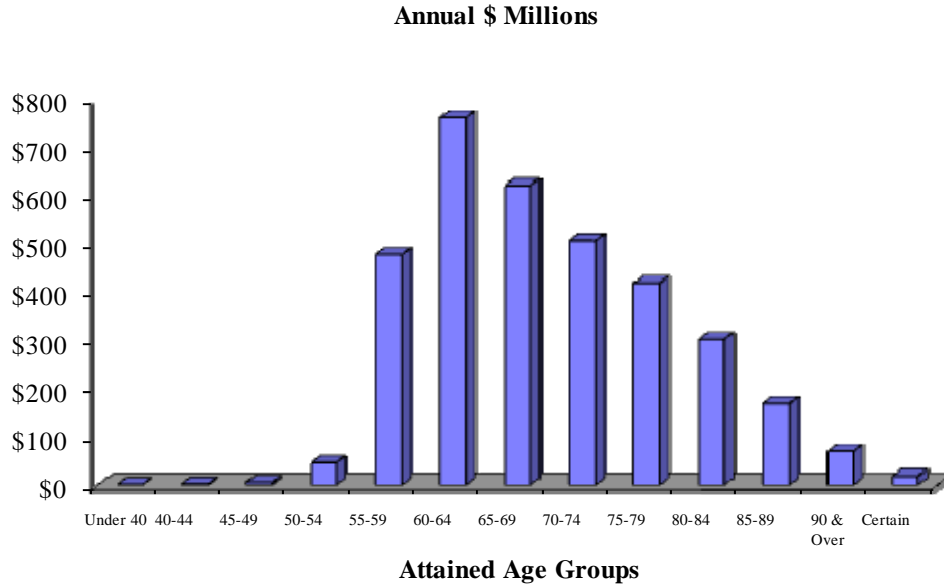
Age at retirement	60.0	52.0	50.9	59.6
Attained age	70.6	64.9	67.7	70.3

\* Certain Only category consists of continuations of 5, 10 and 15-year certain and life annuities to beneficiaries of deceased annuitants.

# CORE ANNUITIES BEING PAID BY ATTAINED AGE\*

## DECEMBER 31, 2008

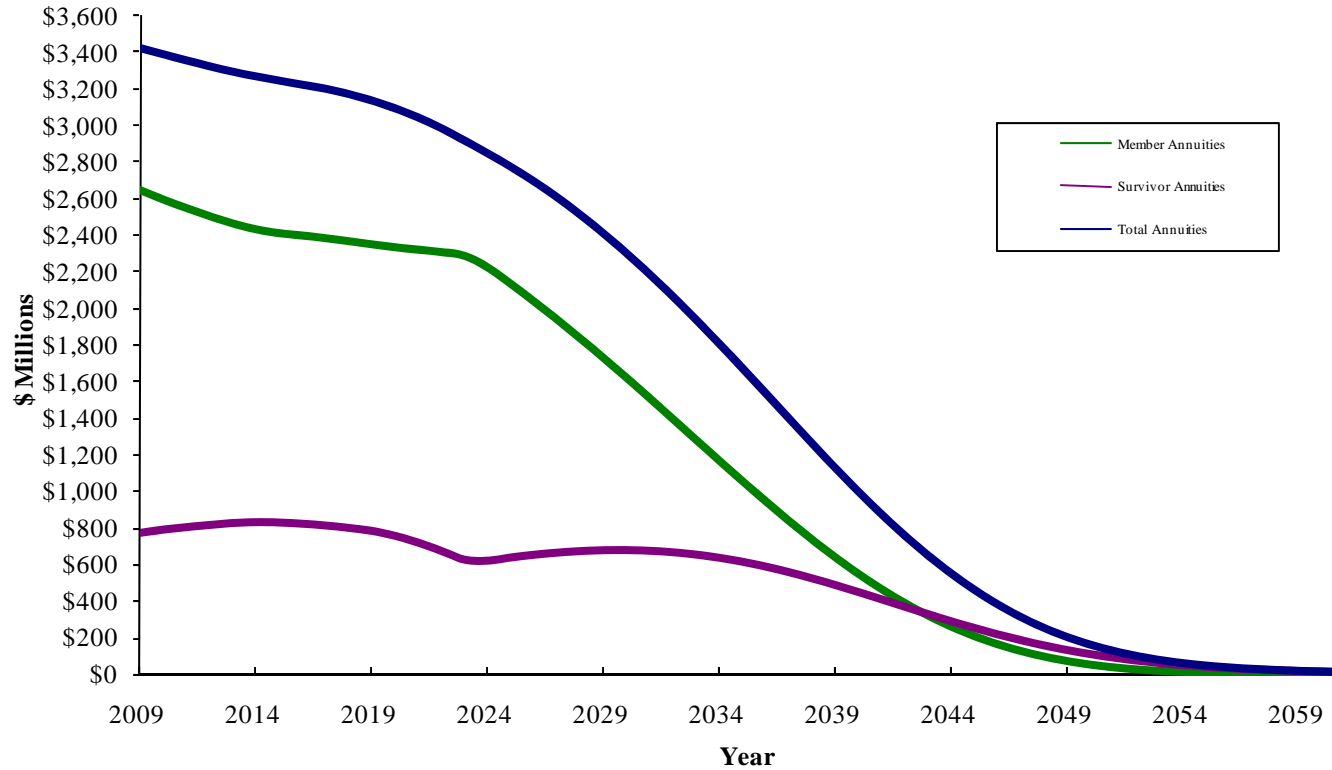
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\* Includes regular and disability retirees and survivor beneficiaries. The "certain" category includes annuities paid for a fixed period which is not dependent upon the age of the recipient.

**PROJECTED FUTURE CORE ANNUITY PAYMENTS  
ON BEHALF OF PRESENT RETIRED LIVES  
INCLUDING FUTURE DIVIDENDS**

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Total Future Payments	\$87.4 billion
From Present Assets	35.8
From Investment Return	51.6

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**SECTION C**  
**VARIABLE ANNUITIES**

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**VARIABLE ANNUITY DIVISION**  
**DEVELOPMENT OF ASSETS AND LIABILITIES**

	\$ Millions		Ratio
	Assets	Liabilities	
<b>Ending Balance December 31, 2007</b>	\$4,625.0	\$4,563.7	1.013
Closing Adjustments	(11.1)	0.0	
Variable Terminations	(112.4)	(112.4)	
2008 Adjustment: 0%	0.0	0.0	
Beginning Balance January 1, 2008	4,501.5	4,451.3	1.011
<b>Increases</b>			
Reserve Transfers	218.2	218.2	
Regular Interest	217.4	217.4	
Additional Earnings	(1,933.8)	0.0	
Addition to Contingency/Data Reserve	0.0	21.2	
Experience Study	0.0	0.0	
Other	0.0	11.7	
<b>Total Increases</b>	(1,498.2)	468.5	
<b>Decreases</b>			
Annuities & Lump Sums	427.8	427.8	
Credit Re-establishments	1.0	1.0	
Release from Contingency/Data Reserve	0.0	0.0	
Experience Study	0.0	0.0	
Other	0.0	0.0	
<b>Total Decreases</b>	428.8	428.8	
<b>Ending Balance December 31, 2008</b>	<b>\$2,574.5</b>	<b>\$4,491.0</b>	<b>0.573</b>

The ending liability balance includes data and mortality reserves of \$66.4 million.

**RESERVE TRANSFER RECOMMENDATION**  
**DECEMBER 31, 2008**

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Amounts to be transferred from the Employer Reserve and the Employee Reserve to the Annuity Reserve to cover liabilities for new annuities are computed as the first step in the annual actuarial valuation. The actuarial present value at time of retirement of variable annuities reported as new since the last actuarial valuation is \$217,078,097. Adjustments to prior transfers, relating to estimated annuities for which final computations have now been made, totaled \$1,165,986. Reserve transfers were distributed as follows:

<b>Group</b>	<b>Regular Transfer</b>	<b>Adjustment to Prior Transfer</b>	<b>Total Transfer</b>
General	\$203,049,718	\$834,122	\$203,883,840
Protective with Social Security	7,985,173	308,474	8,293,647
Protective without Social Security	2,052,600	17,816	2,070,416
Executive & Elected	3,990,606	5,574	3,996,180
<b>Totals</b>	<b>\$217,078,097</b>	<b>\$1,165,986</b>	<b>\$218,244,083</b>

Accordingly, we recommend that \$218,244,083 be transferred to the Variable Annuity Reserve. The results in this report assume that this transfer has been made.

## DISCUSSION OF VARIABLE ANNUITY CHANGE DECEMBER 31, 2008

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Variable Annuity Reserves, \$2,574.5 million, were less than the actuarial present value of variable annuities, \$4,491.0 million, by \$1,941.5 million as of December 31, 2008 or (42)% of the actuarial present value (APV) of variable annuity payments. In accordance with Section 40.28(2) of the Wisconsin statutes (see page 27), variable annuities will be decreased by (42)% effective April 1, 2009. The primary sources of the (42)% are as follows:

	<b>% of APV</b>
1. SWIB published investment return	(39.0)%
2. Adjustment to published effective rate	(1.0)%
3. Published effective earnings rate	(40.0)%
4. Adjustment to relate earnings to average variable annuity fund balance	1.0%
5. Earnings rate based on average balance	(39.0)%
6. Expected change before adjustments: 0.61/1.05-1	(41.9)%
7. Adjustment to relate average asset to ending liability	(1.2)%
8. Carryover from last year due to timing of distribution, accounting adjustments and truncation	1.1%
9. Adjustments to contingency reserve	(0.5)%
10. Experience Study	0.0%
11. Experience and other effects	(0.2)%
12. Statutory adjustment (truncate to whole percent or adjust to zero if reserve is less than 2%)	0.7%
<b>13. Variable annuity change: (6)+(7)+(8)+(9)+(10)+(11)+(12)</b>	<b>(42.0)%</b>

**TRANSFERS TO ANNUITY RESERVE  
TO FINANCE VARIABLE ANNUITIES APPROVED IN 2008  
TABULATED BY TYPE OF ANNUITY AND OPTION**

Alpha Code	Type of Benefit	Number	Annual Amount	Present Value
<b>REGULAR RETIREMENT</b>				
SL	Straight Life	285	\$ 1,838,689	\$ 24,716,803
SL	Straight Life (accelerated)	0	320,592	989,341
A60	Life Annuity with 60 payments guaranteed	225	1,544,461	20,394,318
A60	Life Annuity with 60 payments guaranteed (accelerated)	0	303,171	1,139,227
A180	Life Annuity with 180 payments guaranteed	404	2,707,185	38,793,004
A180	Life Annuity with 180 payments guaranteed (accelerated)	0	656,403	2,423,535
A180F	Life Annuity with 180 payments guaranteed (forced)	2	3,788	46,825
JOINT	Joint and 75% Survivor	227	1,745,467	25,441,215
JOINT	Joint and 75% Survivor (accelerated)	0	356,914	1,323,241
R25	Reduced 25% on First Death	100	1,024,905	14,258,758
R25	Reduced 25% on First Death (accelerated)	0	75,846	252,199
C100	100% Continued to Named Survivor	163	1,127,581	16,637,609
C100	100% Continued to Named Survivor (accelerated)	0	186,818	693,069
C180	100% Continued to Named Survivor with 180 payments guaranteed	669	3,985,412	62,028,323
C180	100% Continued to Named Survivor with 180 payments guaranteed (accelerated)	0	997,400	3,495,719
AC120	Annuity Certain with 120 Payments	0	228	1,790
AC180	Annuity Certain between 24 and 180 Payments	0	80,976	644,000
	Total Regular	2,075	\$16,955,836	\$213,278,976
	Average Age at Retirement	59.4 Years		
<b>DISABILITY RETIREMENT</b>				
SL	Straight Life	3	\$ 22,420	\$ 301,233
A60	Life Annuity with 60 payments guaranteed	5	10,218	137,086
A180	Life Annuity with 180 payments guaranteed	13	15,073	208,914
JOINT	Joint and 75% Survivor	3	4,603	65,529
R25	Reduced 25% on First Death	3	5,045	78,179
C100	100% Continued to Named Survivor	8	39,940	628,578
C180	100% Continued to Named Survivor with 180 payments guaranteed	17	30,421	495,744
	Total Disability	52	\$ 127,720	\$ 1,915,263
	Average Age at Retirement	52.8 Years		
<b>DEATH-IN-SERVICE BENEFITS</b>				
SL	Straight Life	2	\$ 62,464	\$ 744,375
A60	Life Annuity with 60 payments guaranteed	1	17,189	240,096
A60	Life Annuity with 60 payments guaranteed (accelerated)	0	7,356	35,091
A180	Life Annuity with 180 payments guaranteed	14	56,285	838,403
A180	Life Annuity with 180 payments guaranteed (accelerated)	0	4,931	25,893
	Total Death-in-Service	17	\$ 148,225	\$ 1,883,858
	Average Age at Retirement	40.8 Years		
<b>GRAND TOTAL</b>		<b>2,144</b>	<b>\$17,231,781</b>	<b>\$217,078,097</b>

*In cases where an individual is receiving more than one annuity, the person only appears once in the above number counts, but the corresponding annual amounts can show up in several different places, depending on the option elected for the different annuities. This can result in, for example, a number count of zero (or a very low number count) combined with a significant annual dollar amount in the above table.*



**VARIABLE ANNUITIES BEING PAID DECEMBER 31, 2008**  
**TABULATED BY TYPE OF ANNUITY AND OPTION**

Alpha Code	Type of Benefit	Number	Annual Amount	Present Value
<b>REGULAR RETIREMENT</b>				
SL	Straight Life	3,904	\$ 43,049,517	\$ 409,578,527
SL	Straight Life (accelerated)	0	1,720,683	3,416,259
A60	Life Annuity with 60 payments guaranteed	3,887	39,457,608	364,120,311
A60	Life Annuity with 60 payments guaranteed (accelerated)	0	1,858,459	3,919,384
A120	Life Annuity with 120 payments guaranteed	97	785,811	2,826,406
A180	Life Annuity with 180 payments guaranteed	6,695	67,868,341	677,138,055
A180	Life Annuity with 180 payments guaranteed (accelerated)	0	4,207,161	8,551,519
A180F	Life Annuity with 180 payments guaranteed (forced)	18	174,729	1,642,501
JOINT	Joint and 75% Survivor	4,413	56,891,384	654,801,335
JOINT	Joint and 75% Survivor (accelerated)	0	2,795,256	5,812,823
R25	Reduced 25% on First Death	3,946	64,931,733	646,110,806
R25	Reduced 25% on First Death (accelerated)	0	1,071,411	2,154,083
C100	100% Continued to Named Survivor	2,904	34,487,545	386,818,955
C100	100% Continued to Named Survivor (accelerated)	0	1,398,253	2,910,924
C180	100% Continued to Named Survivor with 180 payments guaranteed	7,047	83,905,116	1,103,539,093
C180	100% Continued to Named Survivor with 180 payments guaranteed (accelerated)	0	7,131,745	15,267,368
LOL	Life with Optional Length Guaranteed	12	224,304	1,128,867
LOLF	Life with Optional Length Guaranteed (Forced)	1	10,014	60,035
AC120	Annuity Certain with 120 Payments	0	228	1,778
AC180	Annuity Certain between 24 and 180 Payments	0	1,269,466	5,307,426
C50	50% Continued to One Beneficiary	77	715,027	2,986,109
C50W180	50% Continued to One Beneficiary with 180 Months guaranteed	17	120,522	521,824
C75WSS	75% Continued to One Beneficiary and Social Security Integrated	41	279,330	1,834,760
R25W120	Reduced 25% on Death of Annuitant or Named Survivor with 120 Months guaranteed	12	125,443	406,736
A60WSS	Life with 60 Months Guaranteed and Social Security Integrated	90	307,404	1,320,426
A180WSS	Life with 180 Months Guaranteed and Social Security Integrated	47	300,395	1,366,508
SLNSD	Straight Life - Named Survivor Deceased	95	1,516,308	14,172,169
Total Regular		33,303	\$416,603,193	\$4,317,714,987

(concluded on next page)

*In cases where an individual is receiving more than one annuity, the person only appears once in the above number counts, but the corresponding annual amounts can show up in several different places, depending on the option elected for the different annuities. This can result in, for example, a number count of zero (or a very low number count) combined with a significant annual dollar amount in the above table.*

**VARIABLE ANNUITIES BEING PAID DECEMBER 31, 2008**  
**TABULATED BY TYPE OF ANNUITY AND OPTION**

Alpha Code	Type of Benefit	Number	Annual Amount	Present Value
<b>DISABILITY RETIREMENT</b>				
SL	Straight Life	176	\$ 906,941	\$ 6,576,407
A60	Life Annuity with 60 payments guaranteed	82	601,541	5,712,790
A180	Life Annuity with 180 payments guaranteed	229	1,424,909	13,965,660
JOINT	Joint and 75% Survivor	123	982,101	10,166,095
R25	Reduced 25% on First Death	64	441,980	4,562,168
C100	100% Continued to Named Survivor	259	1,597,964	17,593,406
C180	100% Continued to Named Survivor with 180 payments guaranteed	335	2,141,738	27,247,805
DWSMC	Disability with Spouse or Minor/Dependent Child	5	20,377	89,424
DWOSMC	Disability without Spouse or Minor/Dependent Child	1	4,701	41,822
SLNSD	Straight Life - Named Survivor Deceased	1	13,247	100,938
Total Disability		1,275	\$ 8,135,499	\$ 86,056,515
<b>DEATH-IN-SERVICE BENEFITS</b>				
SL	Straight Life	53	\$ 440,767	\$ 4,009,669
SL	Straight Life (accelerated)	0	15,508	12,138
A60	Life Annuity with 60 payments guaranteed	34	307,891	2,878,057
A60	Life Annuity with 60 payments guaranteed (accelerated)	0	14,542	41,596
A180	Life Annuity with 180 payments guaranteed	228	1,332,991	13,276,495
A180	Life Annuity with 180 payments guaranteed (accelerated)	0	71,308	303,684
LOL	Life with Optional Length Guaranteed	3	21,632	109,520
AC180	Annuity Certain between 24 and 180 Payments	0	12,398	60,488
A60WSS	Life with 60 Months Guaranteed and Social Security Integrated	31	33,823	156,007
Total Death-in-Service		349	\$ 2,250,860	\$ 20,847,654
<b>GRAND TOTAL</b>		<b>34,927</b>	<b>\$426,989,552</b>	<b>\$4,424,619,156</b>

*In cases where an individual is receiving more than one annuity, the person only appears once in the above number counts, but the corresponding annual amounts can show up in several different places, depending on the option elected for the different annuities. This can result in, for example, a number count of zero (or a very low number count) combined with a significant annual dollar amount in the above table.*

**VARIABLE ANNUITIES BEING PAID DECEMBER 31, 2008**  
**TABULATED BY ATTAINED AGES**

Attained Ages	Regular		Disability		Death-in-Service		Totals	
	No.	Annual Amount	No.	Annual Amount	No.	Annual Amount	No.	Annual Amount
25-29	0	\$ 0	1	\$ 1,213	2	\$ 185	3	\$ 1,398
30-34	0	0	0	0	3	5,391	3	5,391
35-39	2	15,849	11	56,638	9	14,606	22	87,093
40-44	6	51,589	15	19,230	6	5,918	27	76,737
45-49	14	39,880	44	69,389	10	9,041	68	118,310
50-54	304	1,406,206	125	285,593	23	123,470	452	1,815,269
55-59	3,917	34,995,353	208	918,044	32	151,737	4,157	36,065,134
60-64	7,432	88,779,056	228	1,762,368	40	245,014	7,700	90,786,438
65-69	5,789	77,548,952	183	1,716,320	45	502,543	6,017	79,767,815
70-74	4,660	69,627,052	157	1,285,733	28	208,203	4,845	71,120,988
75-79	4,227	59,968,641	154	1,094,407	29	228,661	4,410	61,291,709
80-84	3,425	45,625,008	87	568,004	45	205,319	3,557	46,398,331
85-89	2,148	24,341,152	44	268,070	32	276,331	2,224	24,885,553
90-94	939	9,078,926	16	82,858	24	129,649	979	9,291,433
95 & Up	251	2,293,006	2	2,544	7	33,264	260	2,328,814
Certain Only*	189	2,832,523	0	5,088	14	111,528	203	2,949,139
<b>Totals</b>	<b>33,303</b>	<b>\$416,603,193</b>	<b>1,275</b>	<b>\$8,135,499</b>	<b>349</b>	<b>\$2,250,860</b>	<b>34,927</b>	<b>\$426,989,552</b>

Averages in Years

Age at retirement	59.5	52.6	51.2	59.2
Attained age	70.3	65.6	69.5	70.2

\* Certain only category consists of continuations of 5, 10 and 15-year certain and life annuities to beneficiaries of deceased annuitants.

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**SECTION D**  
**COMPARATIVE STATEMENTS**

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**CORE ANNUITIES  
COMPARATIVE STATEMENT  
1983 THROUGH 2008**

Valuation Date	Number	Annual Annuities	Fund Balance	Actuarial Reserve	Ratio	Change in	
						Annuities	CPI*
1983	57,770	\$ 177.7	\$ 1,830.3	\$ 1,738.3	1.053	5.0 %	3.8 %
1984	60,302	214.3	2,255.5	2,120.3	1.064	6.0 %	4.0 %
1985	62,953	257.6	2,758.2	2,561.0	1.077	7.2 %	3.8 %
1986	65,425	303.5	3,256.9	3,021.2	1.078	7.6 %	1.1 %
1987	67,688	366.9	3,833.7	3,594.6	1.067	6.7 %	4.4 %
1988	70,017	420.6	4,319.6	4,150.9	1.041	4.1 %	4.4 %
1989	73,232	488.7	5,487.4	4,928.1	1.113	11.3 %	4.6 %
1990	77,666	611.3	6,443.8	6,219.1	1.036	3.6 %	6.2 %
1991	79,465	660.4	7,137.8	6,711.3	1.063	6.3 %	3.0 %
1992	81,508	732.3	7,782.4	7,456.6	1.044	4.4 %	3.0 %
1993	83,836	801.7	8,608.2	8,205.3	1.049	4.9 %	2.7 %
1994	86,214	882.2	9,286.2	9,029.6	1.028	2.8 %	2.7 %
1995	88,998	955.8	10,351.7	9,804.1	1.056	5.6 %	2.6 %
1996	92,198	1,065.8	11,699.8	10,977.1	1.066	6.6 %	3.3 %
1997	95,128	1,188.4	13,185.1	12,240.4	1.077	7.7 %	1.7 %
1998	99,112	1,349.5	14,951.8	13,943.0	1.072	7.2 %	1.6 %
1999	102,817	1,513.8	16,857.8	15,687.2	1.075	17.1 % **	2.7 %
2000	107,425	1,867.0	20,517.8	19,405.3	1.057	5.7 %	3.4 %
2001	112,142	2,048.6	21,979.7	21,283.6	1.033	3.3 %	1.6 %
2002	116,289	2,226.6	23,142.4	23,202.9	0.997	0.0 %	2.4 %
2003	121,582	2,364.7	25,071.9	24,724.0	1.014	1.4 %	1.9 %
2004	126,211	2,500.3	26,920.0	26,232.2	1.026	2.6 %	3.3 %
2005	131,674	2,691.4	28,575.3	28,359.7	1.008	0.8 %	3.4 %
2006	137,117	2,843.6	31,180.5	30,273.9	1.030	3.0 %	2.6 %
2007	142,906	3,075.3	35,050.1	32,877.5	1.066	6.6 %	4.1 %
2008	144,033	3,399.3	35,798.1	36,551.5	0.979	(2.1)%	0.1 %
<b>26-Year Average</b>						<b>5.1 %</b>	<b>3.0 %</b>
<b>10-Year Average</b>						<b>3.7 %</b>	<b>2.5 %</b>

\* CPI percentage increase determined by ratio of current year CPI-U67 December index over prior year December index.

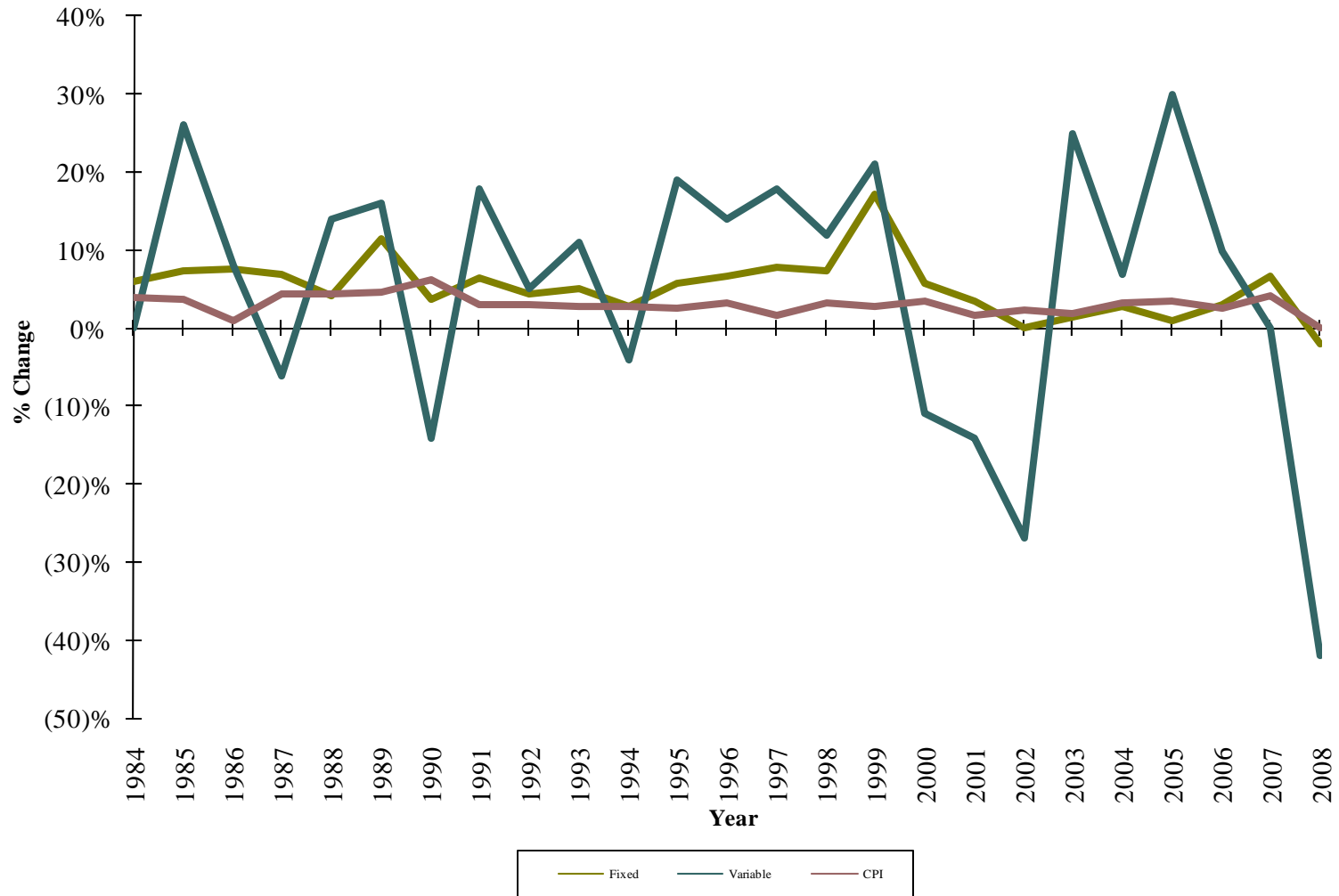
\*\* Including 10.6% Act 11 transfer.

**VARIABLE ANNUITIES  
COMPARATIVE STATEMENT  
1983 THROUGH 2008**

Valuation Date	Number	\$ Millions				Ratio	Change in	
		Annual Annuities	Fund Balance	Actuarial Reserve	Ratio		Annuities	CPI*
1983	13,598	\$ 25.9	\$ 289.4	\$ 245.0	1.181	18.0 %	3.8 %	
1984	14,520	34.2	329.2	327.5	1.005	0.0 %	4.0 %	
1985	15,529	38.0	463.1	366.6	1.263	26.0 %	3.8 %	
1986	16,276	51.8	538.7	498.6	1.080	8.0 %	1.1 %	
1987	17,084	60.4	548.8	584.2	0.939	(6.0)%	4.4 %	
1988	17,779	61.4	682.6	594.0	1.149	14.0 %	4.4 %	
1989	18,502	75.9	878.1	756.5	1.161	16.0 %	4.6 %	
1990	19,922	101.0	868.6	1,013.4	0.857	(14.0)%	6.2 %	
1991	20,538	91.5	1,101.3	929.7	1.184	18.0 %	3.0 %	
1992	20,968	112.6	1,208.6	1,147.4	1.053	5.0 %	3.0 %	
1993	21,623	123.7	1,407.9	1,268.6	1.110	11.0 %	2.7 %	
1994	22,248	144.6	1,418.0	1,487.0	0.954	(4.0)%	2.7 %	
1995	22,978	150.2	1,854.2	1,556.0	1.192	19.0 %	2.6 %	
1996	23,725	189.8	2,264.9	1,976.7	1.146	14.0 %	3.3 %	
1997	24,462	228.2	2,800.0	2,371.5	1.181	18.0 %	1.7 %	
1998	25,424	289.5	3,400.5	3,035.5	1.120	12.0 %	1.6 %	
1999	26,257	345.8	4,432.9	3,659.1	1.212	21.0 %	2.7 %	
2000	27,321	445.3	4,211.4	4,749.3	0.887	(11.0)%	3.4 %	
2001	28,314	424.4	3,901.8	4,547.4	0.858	(14.0)%	1.6 %	
2002	28,662	374.0	2,899.3	3,999.1	0.726	(27.0)%	2.4 %	
2003	29,496	273.3	3,635.9	2,892.2	1.257	25.0 %	1.9 %	
2004	30,270	346.0	3,909.9	3,654.5	1.070	7.0 %	3.3 %	
2005	31,499	376.5	4,092.7	3,970.7	1.031	3.0 %	3.4 %	
2006	32,683	391.8	4,594.2	4,145.2	1.108	10.0 %	2.6 %	
2007	33,880	432.6	4,625.0	4,563.7	1.013	0.0 %	4.1 %	
2008	34,927	427.0	2,574.5	4,491.0	0.573	(42.0)%	0.1 %	
<b>26-Year Average</b>						<b>3.4 %</b>	<b>3.0 %</b>	
<b>10-Year Average</b>						<b>(5.1)%</b>	<b>2.5 %</b>	

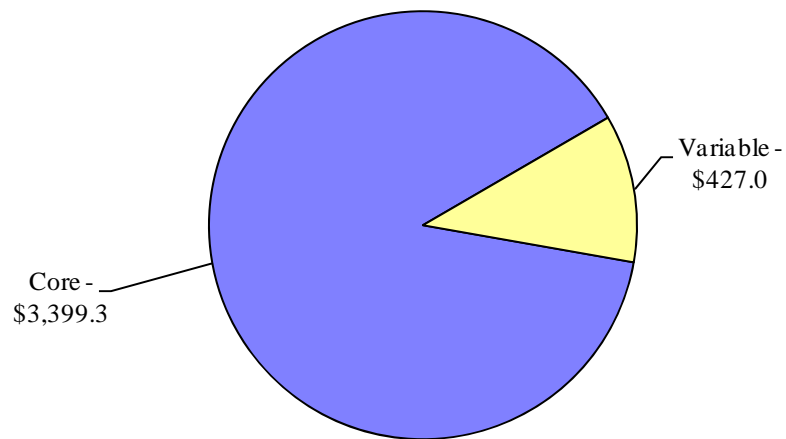
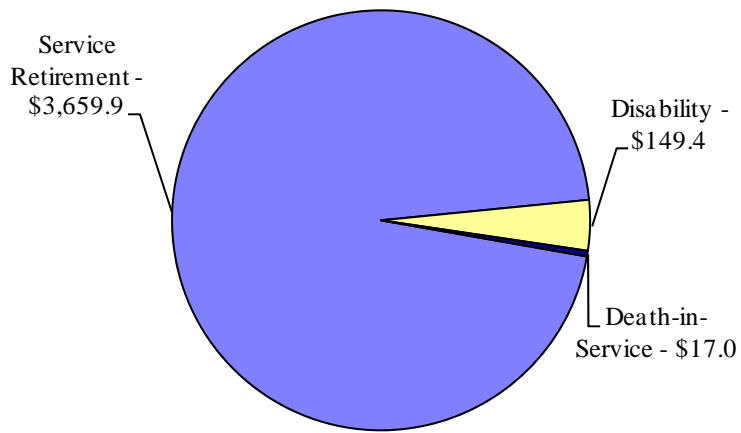
\* CPI percentage increase determined by ratio of current year CPI-U67 December index over prior year December index.

## HISTORY OF % CHANGES IN ANNUITIES AND CPI



**ANNUITIES BEING PAID BY TYPE**  
**DECEMBER 31, 2008**  
**\$ MILLIONS**

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**ANNUITIES BEING PAID DECEMBER 31, 2008**  
**TABULATED BY YEAR OF RETIREMENT**  
**(\$1,000S ANNUALLY)**

Year Ret'd	Core Annuities			Variable Annuities				Avg. Total Annuity	
	No.	Initial	Increases	Total	No.	Initial	Increases		Total
2008	7,965	\$ 219,104	\$ 0	\$ 219,105	2,045	\$ 16,647	\$ 0	\$ 16,647	\$29,598
2007	8,469	228,651	8,173	236,824	2,190	18,594	0	18,594	30,159
2006	8,250	206,709	17,231	223,940	1,997	17,770	1,777	19,547	29,514
2005	8,244	197,446	20,216	217,662	2,052	18,930	2,520	21,450	29,004
2004	7,397	165,148	20,116	185,264	1,864	16,995	3,607	20,602	27,831
2003	7,446	163,615	23,530	187,145	1,730	13,694	7,058	20,752	27,921
2002	7,015	140,705	21,149	161,854	1,552	17,969	1,917	19,886	25,907
2001	7,070	132,601	22,612	155,213	1,662	26,035	(1,260)	24,775	25,458
2000	7,385	129,145	28,975	158,120	1,497	29,913	(4,584)	25,329	24,841
1999	6,304	94,724	39,805	134,529	1,280	20,955	512	21,467	24,746
1998	6,260	87,868	45,462	133,330	1,302	18,719	2,759	21,478	24,730
1997	5,344	72,508	45,804	118,312	1,138	13,708	4,863	18,571	25,614
1996	5,390	70,930	52,880	123,810	1,169	12,214	6,618	18,832	26,464
1995	4,927	62,454	52,808	115,262	1,082	9,246	7,718	16,964	26,837
1994	4,455	53,721	49,387	103,108	1,063	9,041	6,907	15,948	26,724
1993	4,045	45,867	45,799	91,666	980	6,913	6,611	13,524	26,005
1992	3,500	38,020	41,323	79,343	846	5,726	6,041	11,767	26,032
1991	3,277	33,328	39,944	73,272	825	4,545	6,440	10,985	25,712
1990	5,227	56,561	73,651	130,212	1,409	8,907	9,672	18,579	28,466
1989	4,038	42,867	63,223	106,090	1,001	5,444	7,730	13,174	29,535
1988	3,226	27,084	44,978	72,062	848	3,708	6,516	10,224	25,507
1987	2,859	22,337	41,145	63,482	795	3,271	5,214	8,485	25,172
1986	2,618	19,761	41,058	60,819	734	2,836	5,103	7,939	26,264
1985	2,440	18,791	43,352	62,143	689	1,916	4,838	6,754	28,237
1984	1,961	14,016	34,994	49,010	600	1,659	4,193	5,852	27,976
1983	1,744	9,394	25,205	34,599	505	1,161	3,661	4,822	22,604
1982	1,368	6,039	18,046	24,085	386	718	2,706	3,424	20,109
1981	1,250	4,733	15,225	19,958	350	578	2,173	2,751	18,167
1980	958	3,133	10,372	13,505	272	354	1,695	2,049	16,235
1979	716	2,375	8,402	10,777	194	191	1,032	1,223	16,759
1978	613	1,720	6,328	8,048	188	160	935	1,095	14,914
1977	569	1,601	5,756	7,357	182	177	969	1,146	14,942
1976	467	1,181	4,496	5,677	129	86	521	607	13,458
1975	384	909	3,497	4,406	117	84	574	658	13,190
1974	214	628	2,439	3,067	75	51	314	365	16,039
1973	154	444	1,693	2,137	59	45	246	291	15,760
1972	109	241	966	1,207	31	21	105	126	12,234
1971	57	109	441	550	24	15	84	99	11,383
1970	50	102	418	520	16	8	47	55	11,494
1969	50	85	342	427	13	6	31	37	9,284
Prior	218	262	1,115	1,377	36	18	99	117	4,818
<b>Total</b>	<b>144,033</b>	<b>\$2,376,917</b>	<b>\$1,022,356</b>	<b>\$3,399,274</b>	<b>34,927</b>	<b>\$309,028</b>	<b>\$117,962</b>	<b>\$426,990</b>	<b>\$26,565</b>

**COMPARISON OF ACTUAL TO EXPECTED DEATHS AMONG RETIRED LIVES  
(NORMAL RETIREMENT ONLY)  
DURING 2008**

Age	Male Deaths			Female Deaths			Total Deaths		
	Actual	Expected	Exposure	Actual	Expected	Exposure	Actual	Expected	Exposure
30-34						1			1
35-39						6			6
40-44						19			19
45-49			13			76			89
50-54	2	2	825	3		464	5	2	1,289
55-59	24	40	6,877	20	30	8,264	44	70	15,141
60-64	96	100	12,913	60	75	14,674	156	175	27,587
65-69	125	163	12,516	118	110	14,171	243	273	26,687
70-74	174	229	9,976	160	159	11,644	334	388	21,620
75-79	290	349	8,175	223	231	9,590	513	580	17,765
80-84	394	416	5,653	315	340	7,734	709	756	13,387
85-89	376	373	3,022	469	449	5,443	845	822	8,465
90-94	198	211	1,045	408	390	2,707	606	601	3,752
95-99	66	61	220	241	188	835	307	249	1,055
100&Up	9	6	17	39	50	139	48	56	156
<b>Totals</b>	<b>1,754</b>	<b>1,950</b>	<b>61,252</b>	<b>2,056</b>	<b>2,022</b>	<b>75,767</b>	<b>3,810</b>	<b>3,972</b>	<b>137,019</b>
Average Ages	80.5	79.7	69.6	84.1	83.6	71.1	82.4	81.7	70.4

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**SECTION E**  
**APPENDIX**

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## ACTUARIAL ASSUMPTIONS USED IN THE RETIRED LIFE ACTUARIAL VALUATION

The interest rate used in the valuation was 5.0% a year, compounded yearly, as provided in Section 40.02 of the Wisconsin Statutes. The mortality table used in the valuation was the Wisconsin Projected Experience Mortality Table-2005, as adopted by the Board in connection with the 2002-2005 Experience Study. In addition, retired life liabilities in the valuations contain a reserve for mortality improvement. The reserve level used in this valuation was 1.5%.

### SINGLE LIFE RETIREMENT VALUES

#### Wisconsin Projected Experience Table - 2005 with 5% Interest

Sample Attained Ages	Present Value of \$1 Monthly for Life		Future Life Expectancy (years)		Probability of Death Next Year	
	Males	Females	Males	Females	Males	Females
40	\$205.69	\$213.54	40.9	45.3	0.109%	0.057%
45	196.14	205.53	36.2	40.5	0.161%	0.089%
50	184.61	195.62	31.5	35.7	0.263%	0.123%
55	171.16	183.60	27.0	30.9	0.463%	0.256%
60	155.69	169.88	22.7	26.4	0.675%	0.435%
65	137.31	153.66	18.5	22.0	1.036%	0.665%
70	116.87	134.71	14.5	17.8	1.816%	1.065%
75	95.20	113.77	11.0	13.9	3.340%	1.950%
80	74.62	91.62	8.1	10.4	6.031%	3.387%
85	55.95	69.69	5.7	7.4	10.268%	6.512%

The values shown above are for non-disabled participants. Sample values for disabled participants are as follows:

Sample Attained Ages	Present Value of \$1 Monthly for Life		Future Life Expectancy (years)		Probability of Death Next Year	
	Males	Females	Males	Females	Males	Females
40	\$188.17	\$200.45	33.0	38.1	0.262%	0.131%
45	175.49	189.75	28.5	33.4	0.386%	0.205%
50	160.60	176.73	24.1	28.7	0.631%	0.282%
55	144.08	161.35	20.0	24.2	1.112%	0.589%
60	126.15	144.83	16.2	20.1	1.620%	1.000%
65	105.47	126.05	12.5	16.1	2.485%	1.529%
70	83.80	104.95	9.3	12.4	4.358%	2.450%
75	62.40	83.07	6.5	9.1	8.016%	4.485%
80	44.25	61.62	4.3	6.3	14.473%	7.789%
85	29.47	42.01	2.8	4.1	24.643%	14.977%

## **POST-RETIREMENT ADJUSTMENTS**

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### **CORE ANNUITIES - 40.27(2)**

“CORE ANNUITY RESERVE SURPLUS DISTRIBUTIONS. Surpluses in the core annuity reserve established under s. 40.04(6) and (7) shall be distributed by the board if the distribution will result in at least a 0.5% increase in the amount of annuities in force, on recommendation of the actuary, as follows:

(a) The distributions shall be expressed as percentage increases in the amount of the monthly annuity in force, including prior distributions of surpluses but not including any amount paid from funds other than the core annuity reserve fund, preceding the effective date of the distribution. For purposes of this subsection, annuities in force include any disability annuity suspended because the earnings limitation had been exceeded by that annuitant in that year.

(b) Prorated percentages based on the annuity effective date may be applied to annuities with effective dates during the calendar year preceding the effective date of the distribution, as provided by rule, but no other distinction may be made among the various types of annuities payable from the core annuity reserve.

(c) The distributions shall not be offset against any other benefit being received but shall be paid in full, nor shall any other benefit being received be reduced by the distributions. The annuity reserve surplus distributions authorized under this subsection may be revoked by the board in part or in total as to future payments upon recommendation of the actuary if a deficit occurs in the core annuity reserves.”

### **VARIABLE ANNUITIES - 40.28(2)**

“Whenever the balance in the variable annuity reserve, as of December 31 of any year, exceeds or is less than the then present value of all variable annuities in force, determined in accordance with the rate of interest and approved actuarial tables then in effect, by at least 2% of the present value of all variable annuities in force, the amount of each variable annuity payment shall be proportionately increased or decreased, disregarding fractional percentages, and effective on a date determined by rule, so as to reduce the variance between the balance of the variable annuity reserve and the present value of variable annuities to less than one percent.”

## **NARRATIVE REGARDING THE DEVELOPMENT OF DIVIDEND AND VARIABLE ANNUITY CHANGES SHOWN ON PAGES 6 AND 15**

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**1. SWIB Published Investment Return**

The earnings rate published by State of Wisconsin Investment Board on the Core/Variable Fund.

**2. Adjustment to Relate Earnings to Averaged Core/Variable Annuity Balance**

Item 3 below minus Item 1 above. For core annuities, this is the MRA adjustment which takes into account five-year smoothing of gains and losses. For variable annuities, it converts a figure based on an average balance to a figure based on a beginning year balance.

**3. Published Earnings Rate**

The earnings rate published by DETF is funds' earnings credits expressed as a percentage of the beginning year balance adjusted for benefit payments and reserve transfers.

**4. Adjustment to Relate Earnings to Averaged Core Annuity Balance**

Item 5 below minus Item 3 above.

**5. Earnings Rate Based on Average Balance**

This is similar to the published earnings rate except that the rate is determined as a percentage of the average balance during the year instead of the adjusted beginning of year balance.

**6. Expected Dividend (Variable Change) before Adjustments**

The relative difference in fund growth based on actual versus the 5% assumed earnings rates.

**7. Adjustment to Relate Average Asset to Ending Liability**

The final dividend/variable change is calculated based on the end of year assets divided by the end of year liabilities. Since the calculations in Items 5 and 6 are based on average (approximately mid-year) balances, this adjustment is needed so that the final rate will be based on the end of year liabilities.

**8. Carryover from Last Year Due to Timing of Distribution and Accounting Adjustments (and Truncation for Variable Annuity)**

The dividend or variable rate changes are made effective April 1 of each year. This adjustment takes into account the fact that the prior year dividend/variable increase was in effect for less than a full year as well as any accounting adjustments made to the asset value at the beginning of the year. This adjustment also carries over any truncated or rounded amounts from the prior year.

## **NARRATIVE REGARDING THE DEVELOPMENT OF DIVIDEND AND VARIABLE ANNUITY CHANGES SHOWN ON PAGES 6 AND 15**

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### **9. Adjustments to Contingency Reserve and Data Reserve**

Currently there is a reserve for incomplete data for the dividend calculation of 0.2% and a mortality improvement reserve for both the dividend and variable calculations that starts at 0.5% and grades to 1.5% over a 3-year experience period. The adjustment is equal to the amount held in reserve for the current year less the amount held in reserve for the prior year expressed as a percent of the end of year liability. This reserve is accumulated to reflect the fact that over time, mortality rates tend to improve. By increasing reserves gradually each year, instead of all at once every three years, the effect on dividends and variable increases will also be more gradual.

### **10. Experience Study**

A study is conducted for WRS every three years to analyze the assumptions that are made in the valuation versus the experience that actually occurred. If the results of the study show material changes in experience, WRS generally adopts a new set of assumptions. When assumptions are changed, this item displays the effect of the change on the dividend/variable rate calculation.

### **11. Experience and Other Effects**

After making all other known adjustments, this is the remainder of all other experience. Changes here are primarily attributable to mortality experience and, generally to a lesser extent, on any data adjustments.

### **12. Statutory Adjustment to Round/Truncate**

By statute, the dividend rate is calculated to the nearest one-tenth of a percent. For the variable annuity change, the rate is truncated to a whole percent. This is the adjustment made from the calculated dividend/variable annuity rate change without rounding/truncation to the statutory rate.

### **13. Computed Dividend Rate/Variable Annuity Change.**

This is the end of year asset value divided by the end of year liability. It is reconciled to the published earnings rate (Item 3) by making the adjustments in Items 6 through 12.

March 3, 2009

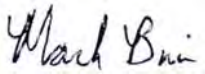
Mr. David Stella  
Wisconsin Department of Employee Trust Funds  
801 W. Badger Road  
Madison, Wisconsin 53713-2526

**Re: Retired Life Actuarial Valuation**

Dear Dave:

Enclosed are 40 copies of the report of the December 31, 2008 Retired Lives Actuarial Valuation with the remaining 35 copies to follow under separate cover tomorrow.

Sincerely,



Mark Buis

MB:lr  
Enclosures





STATE OF WISCONSIN  
Department of Employee Trust Funds  
David A. Stella  
SECRETARY

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**CORRESPONDENCE MEMORANDUM**

**DATE:** March 19, 2009

**TO:** Executive Committee  
Employee Trust Funds Board  
Teachers Retirement Board  
Wisconsin Retirement Board

**FROM:** Bob Conlin, Deputy Secretary  
Steve Hurley, Director, Office of Policy, Privacy and Compliance

**SUBJECT:** Proposal to Hold All Board Meetings on One Day Each Quarter

**This memo is for Executive Committee and Board discussion and action by the Employee Trust Funds (ETF) Board.**

**Recommendation:** Staff recommends that the Boards consider holding future meetings on one day each quarter, rather than spread business out over two days.

The three Wisconsin Retirement System (WRS) Boards currently meet quarterly over two days (usually Thursday and Friday). Typically, all three Boards meet Thursday morning for a "Joint Informational" session where general information is shared with all members. Early Thursday afternoon, the Teachers Retirement and Wisconsin Retirement Boards convene, primarily to hear appeals, approve administrative rules, and to study and recommend to the ETF Board alternative administrative policies regarding benefits for teachers and non-teachers in the WRS. Recently, due to a low number of appeals, these meetings have been concluding by 2:00 p.m. On Friday morning, the ETF Board meets and generally concludes its business by about noon. In all, the Boards only meet for about seven to eight hours over two consecutive days.

Several Board members have asked ETF about the rationale for the current Board schedule and about the possibility of reducing it from two days to a single day. Historically, it appears that the primary reason that Board meetings span two days is due to the large number of appeals that the Boards were regularly asked to hear. Because the volume of appeals has gone down significantly in the last few years, the Boards have been able to conduct shorter meetings.

Board	Mtg Date	Item #
EXC	3/19/09	3
JI	3/19/09	5
TR	3/19/09	7
WR	3/19/09	5
ETF	3/20/09	5

# Smoothing Investment Income

Employee Trust Funds Board

March 20, 2009

Board	Mtg Date	Item #
ETF	03/20/09	5

# Measuring Asset Value

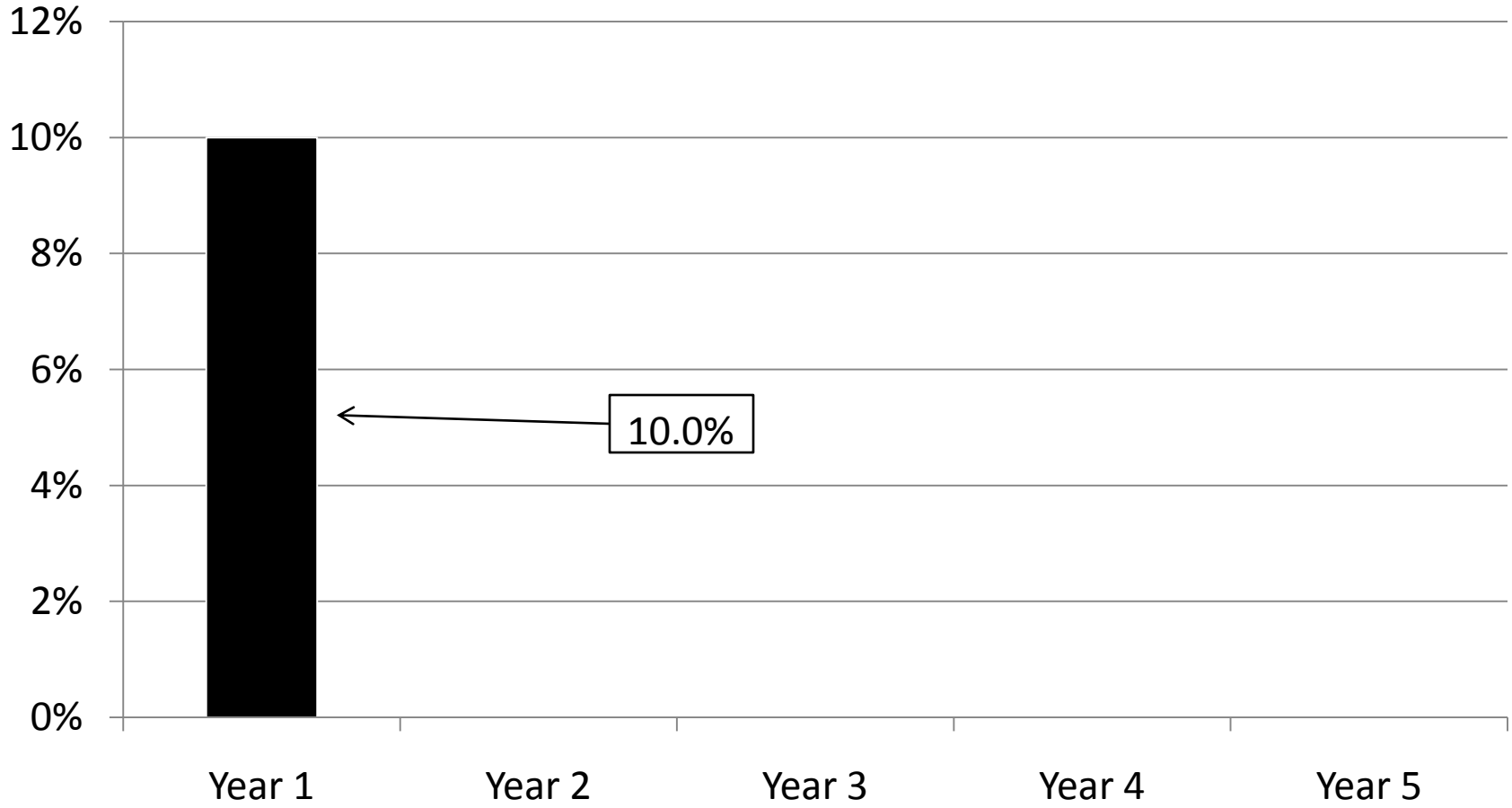
- **Fair Value** – the value at which an asset could be bought or sold in a current transaction between willing parties, other than in a liquidation.
- **Funding Value** – a derivative of fair value in which changes in fair value are amortized over time to reduce volatility. This is the asset value used to measure funding progress in our actuarial valuations.

# Market Recognition Account

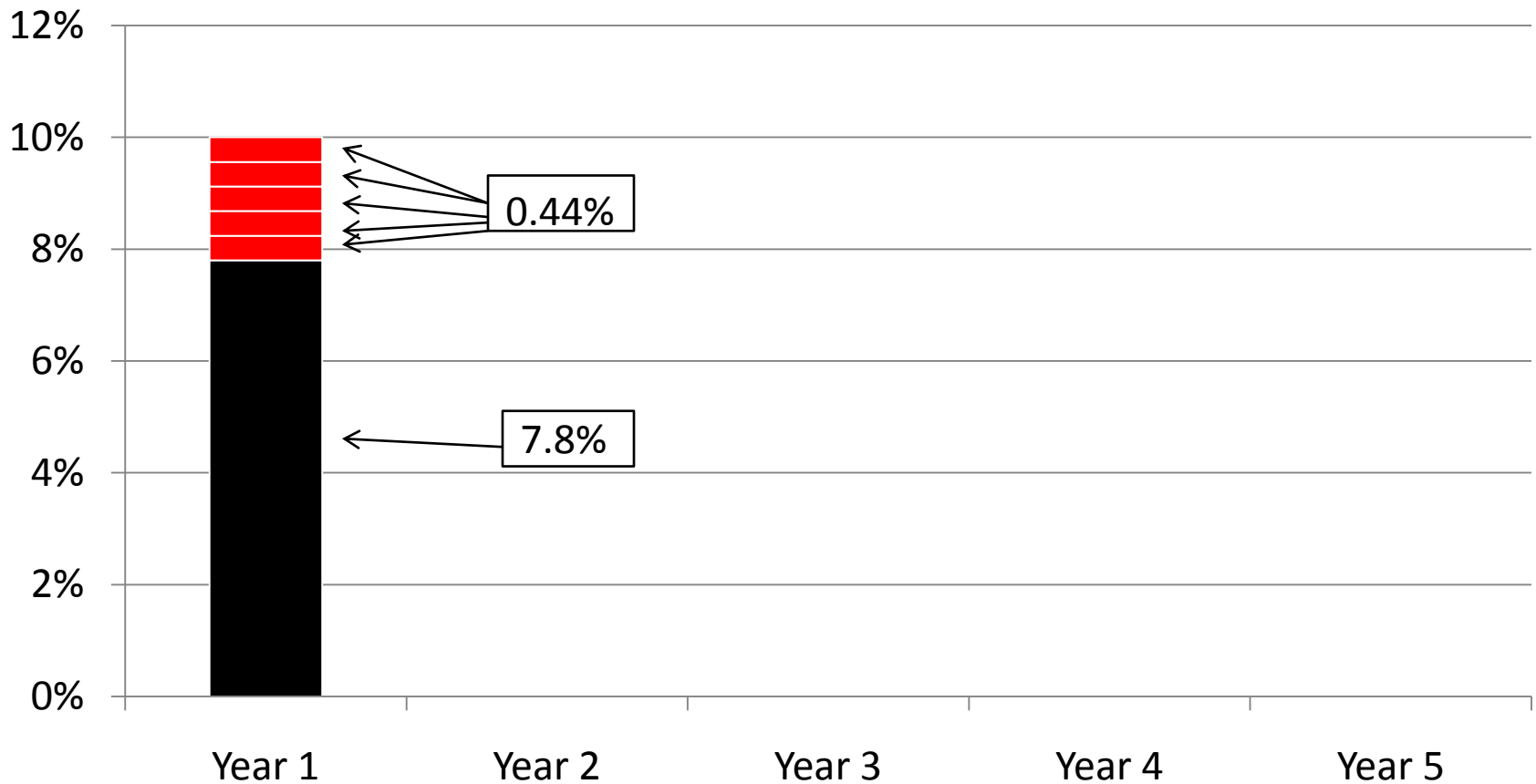
- Investment gains / losses are “smoothed” through the Market Recognition Account (MRA)
  - The MRA is intended to recognize long-term changes in asset values while minimizing the impact of short-term fluctuations in the capital markets;
  - investment gains equal to the assumed rate (7.8%) are recognized;
  - the difference between actual gains or losses and the assumed rate is spread equally over 5 years.

# Smoothing Example

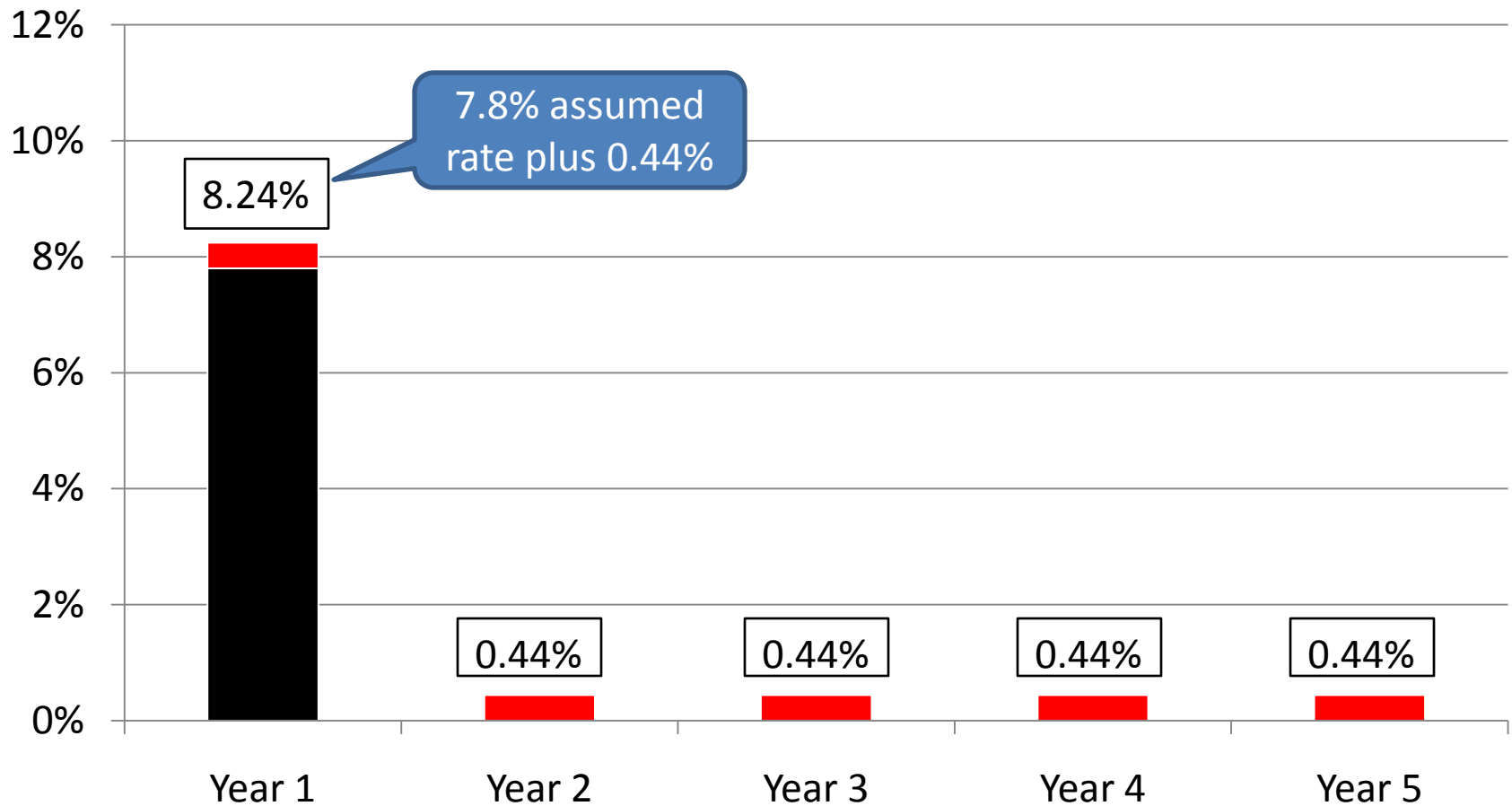
# Year One return is 10%



A 10% return is made up of the 7.8% assumed return plus five 0.44% slices

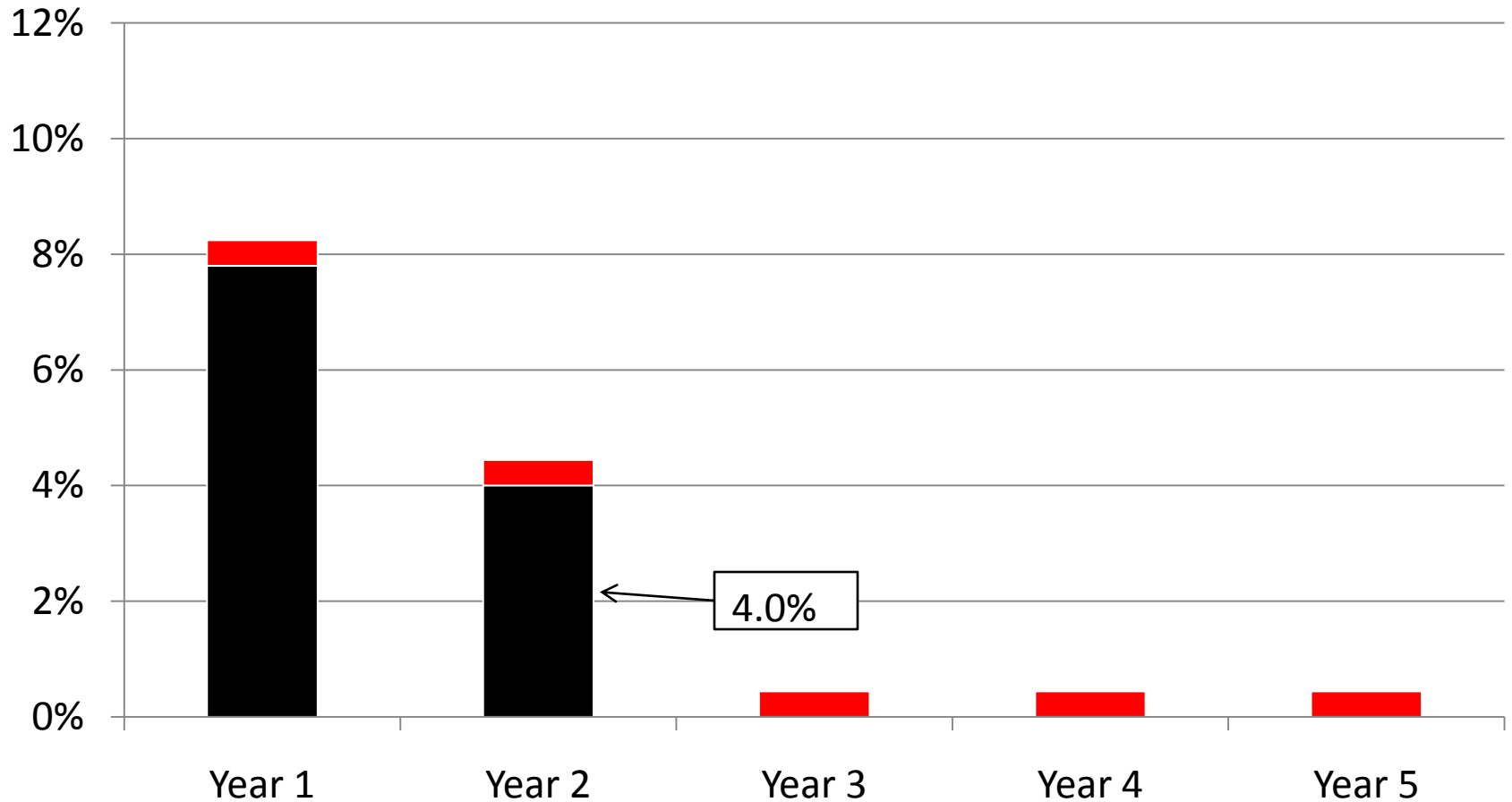


# The five 0.44% slices are recognized equally over five years

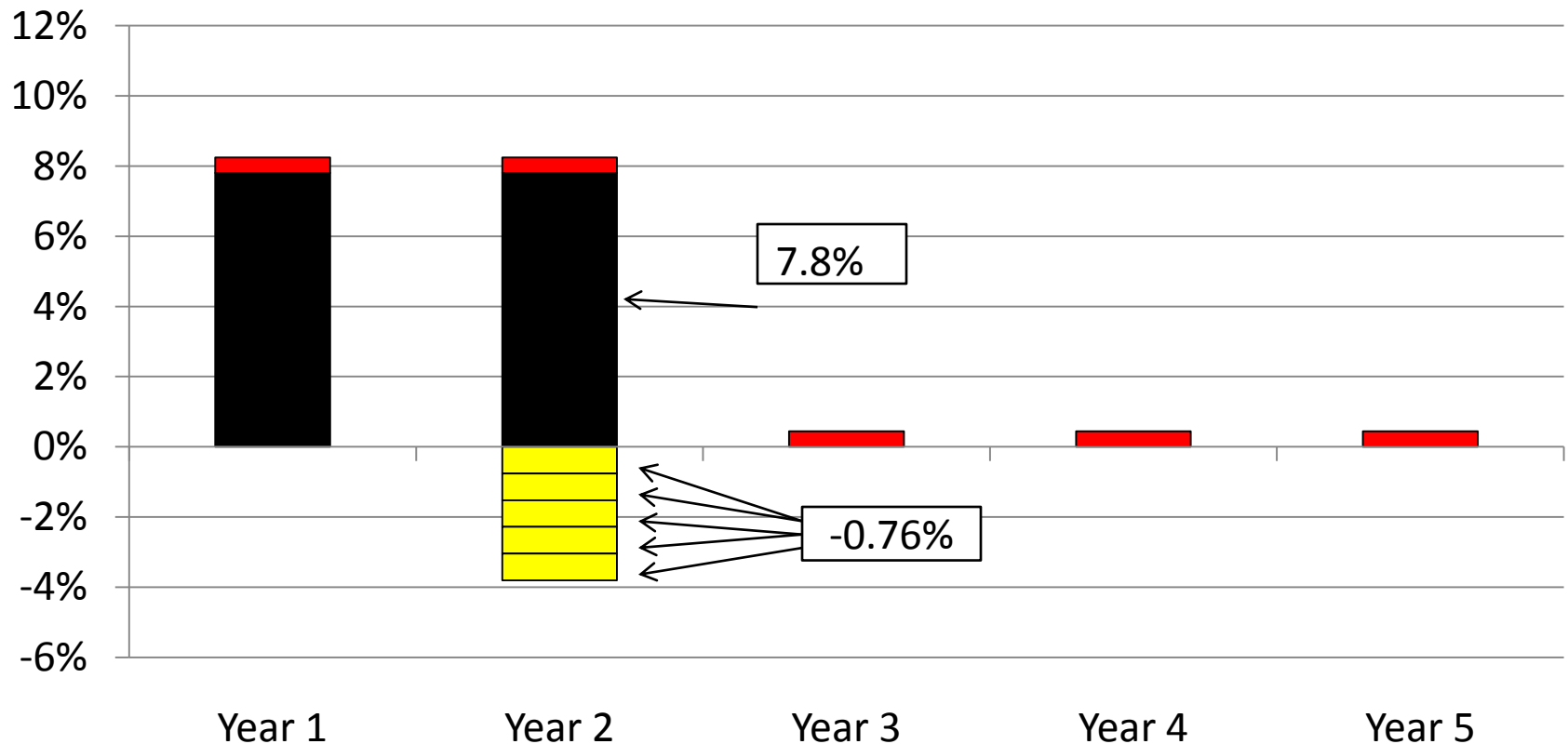




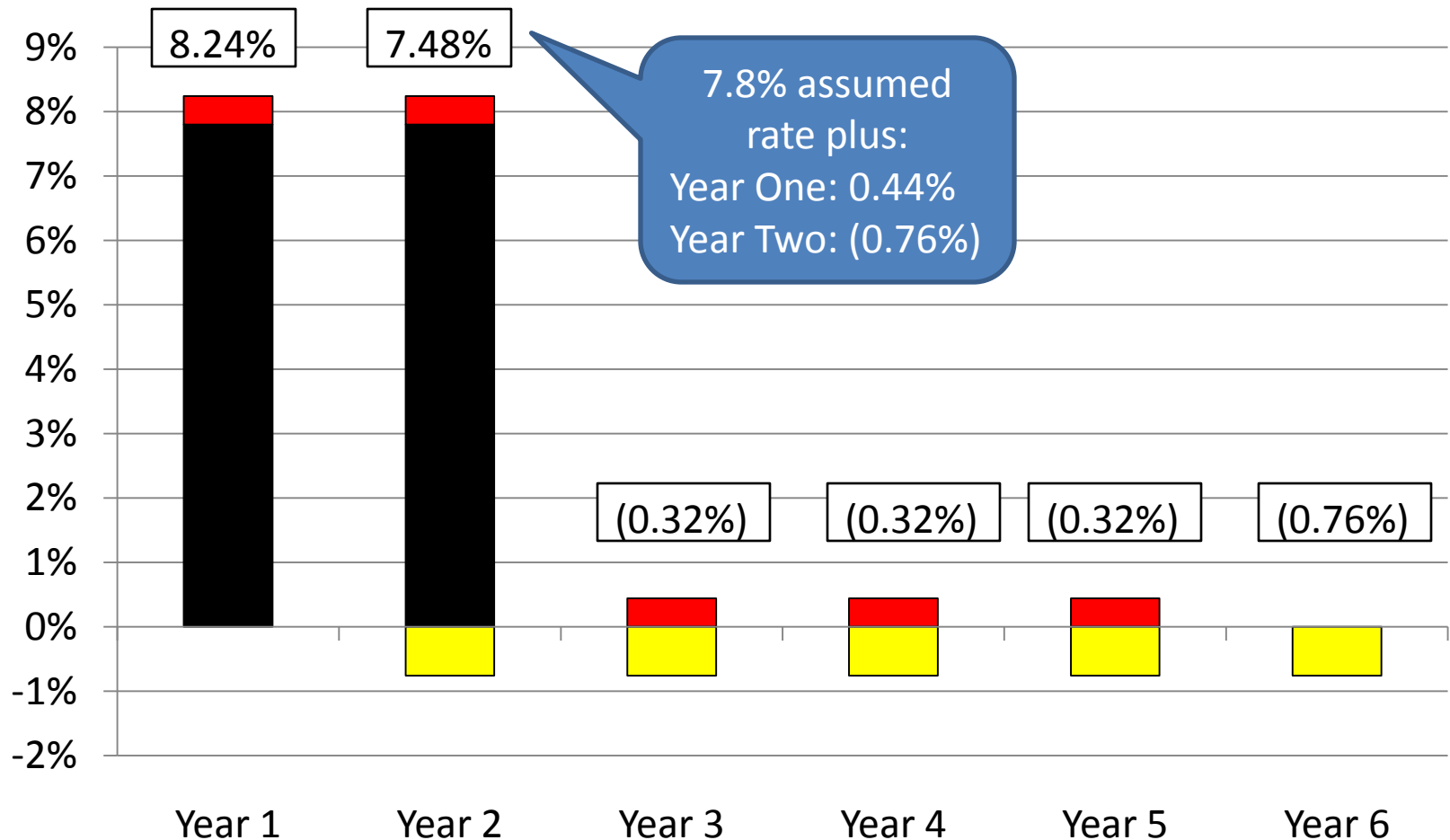
# Year Two investment return is 4%



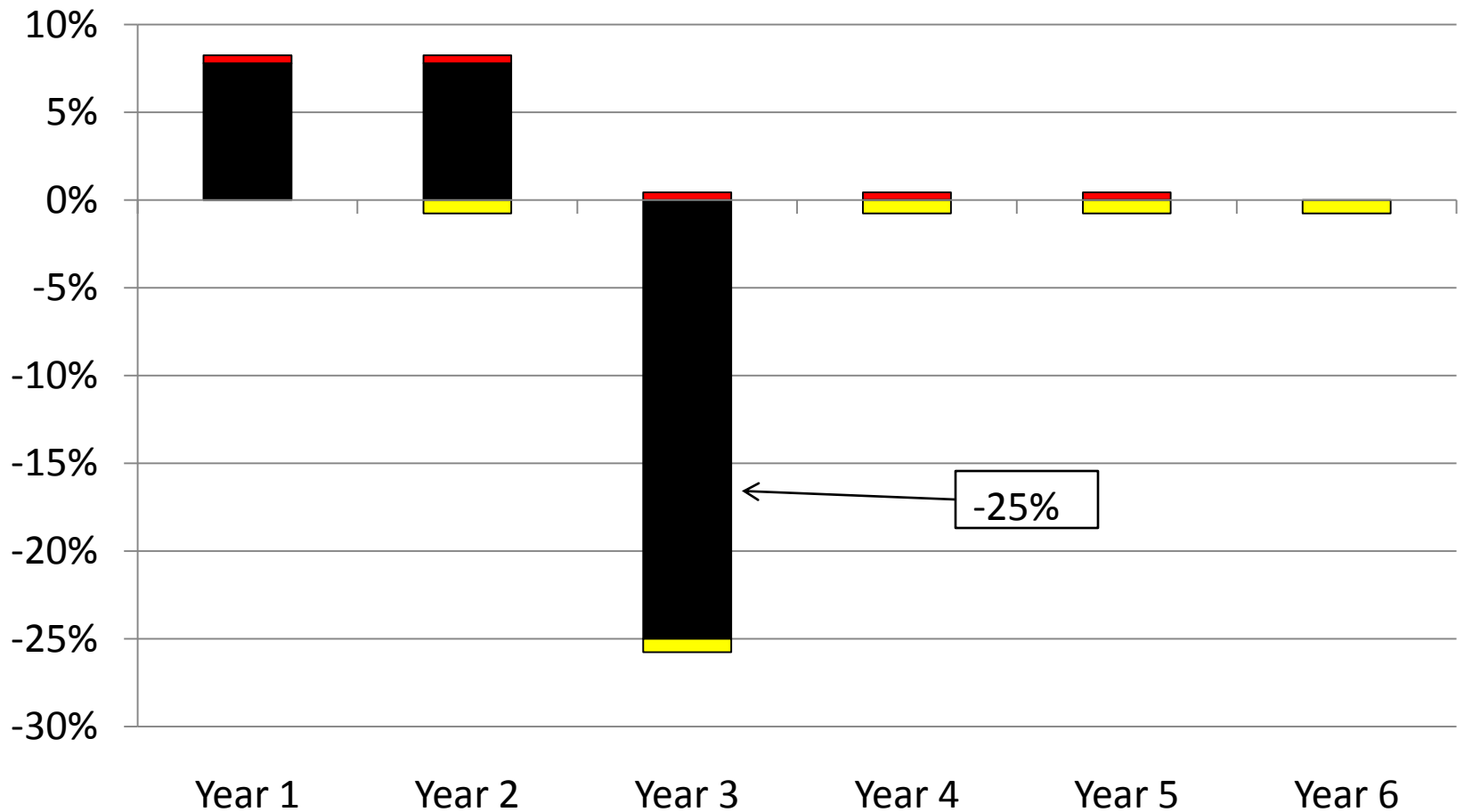
A 4% return is made up of the 7.8% assumed return plus five negative 0.76% slices



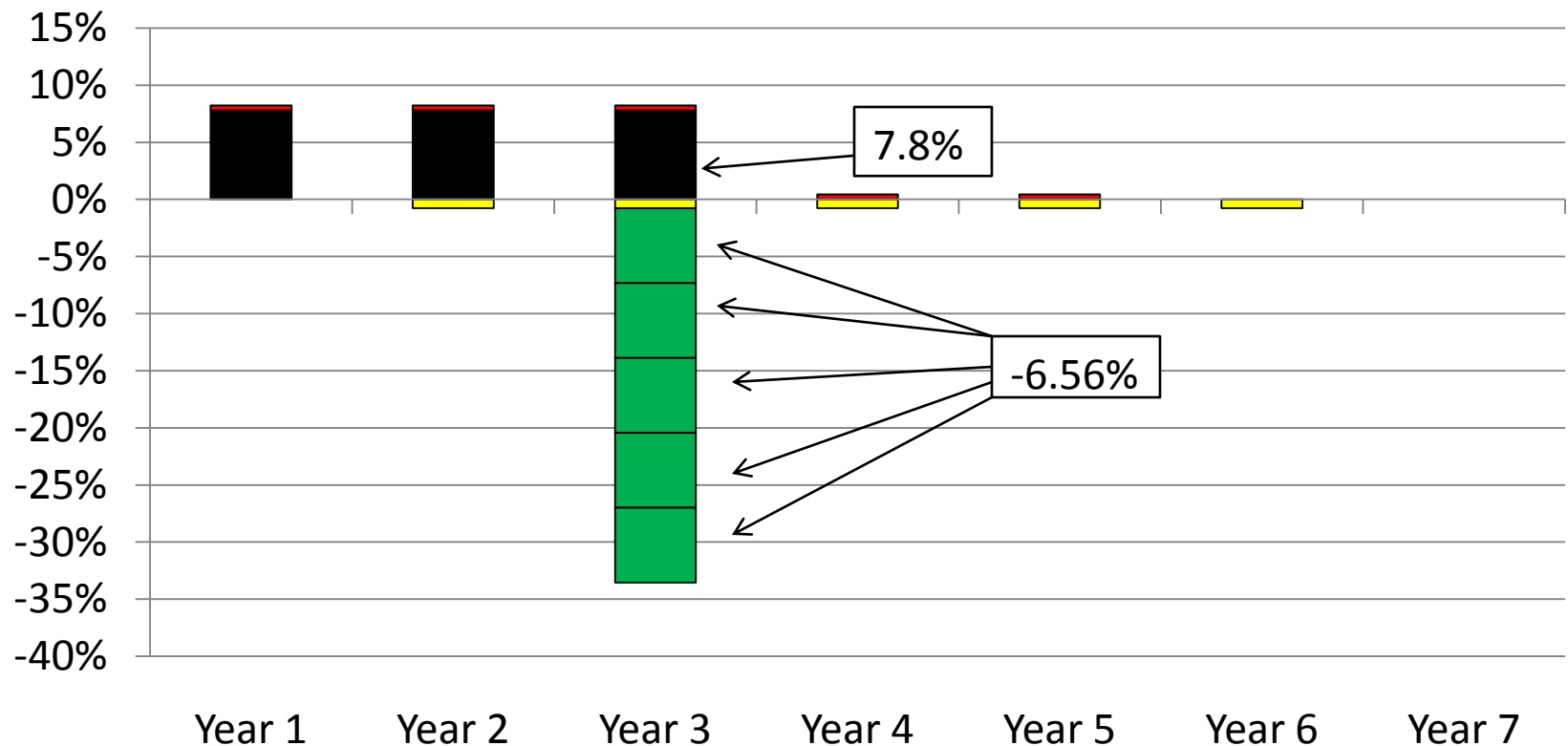
# The five negative 0.76% slices are recognized equally over five years



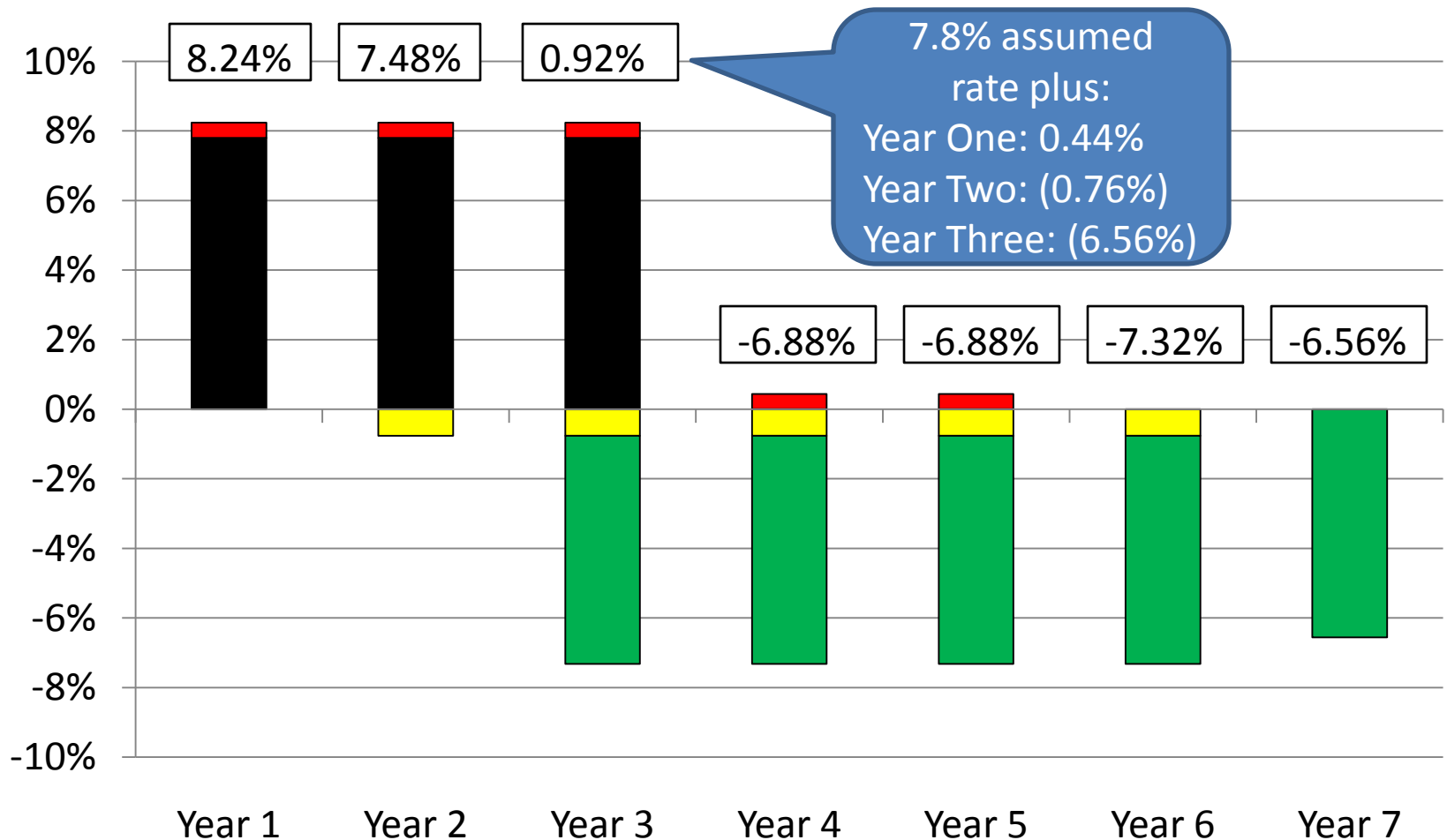
# Year Three investment return is negative 25%



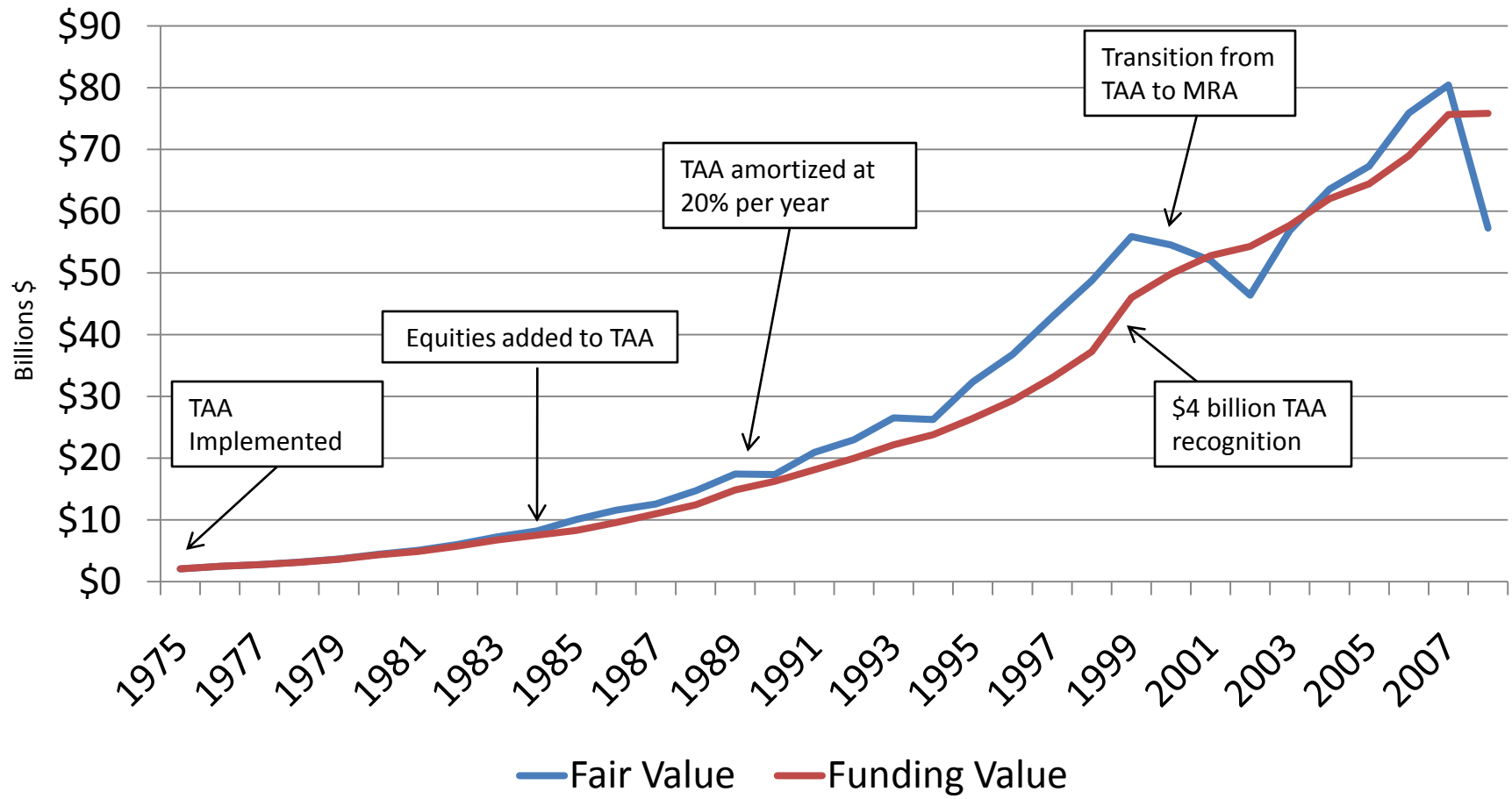
A negative 25% return is made up of the 7.8% assumed return plus five negative 6.56% slices



# The five negative 6.56% slices are recognized equally over five years



# Core Fund Fair Value vs. Funding Value 1975 - 2008



TAA = Transaction Amortization Account

# When Fair Value is Greater than Funding Value

- A reserve exists to offset future losses.
- Employer contribution rates are higher than the long-term funding requirements of the system.
- Annuity adjustments are lower than can be supported by asset value.
- Annuity increases are being transferred from current annuitants to future annuitants.



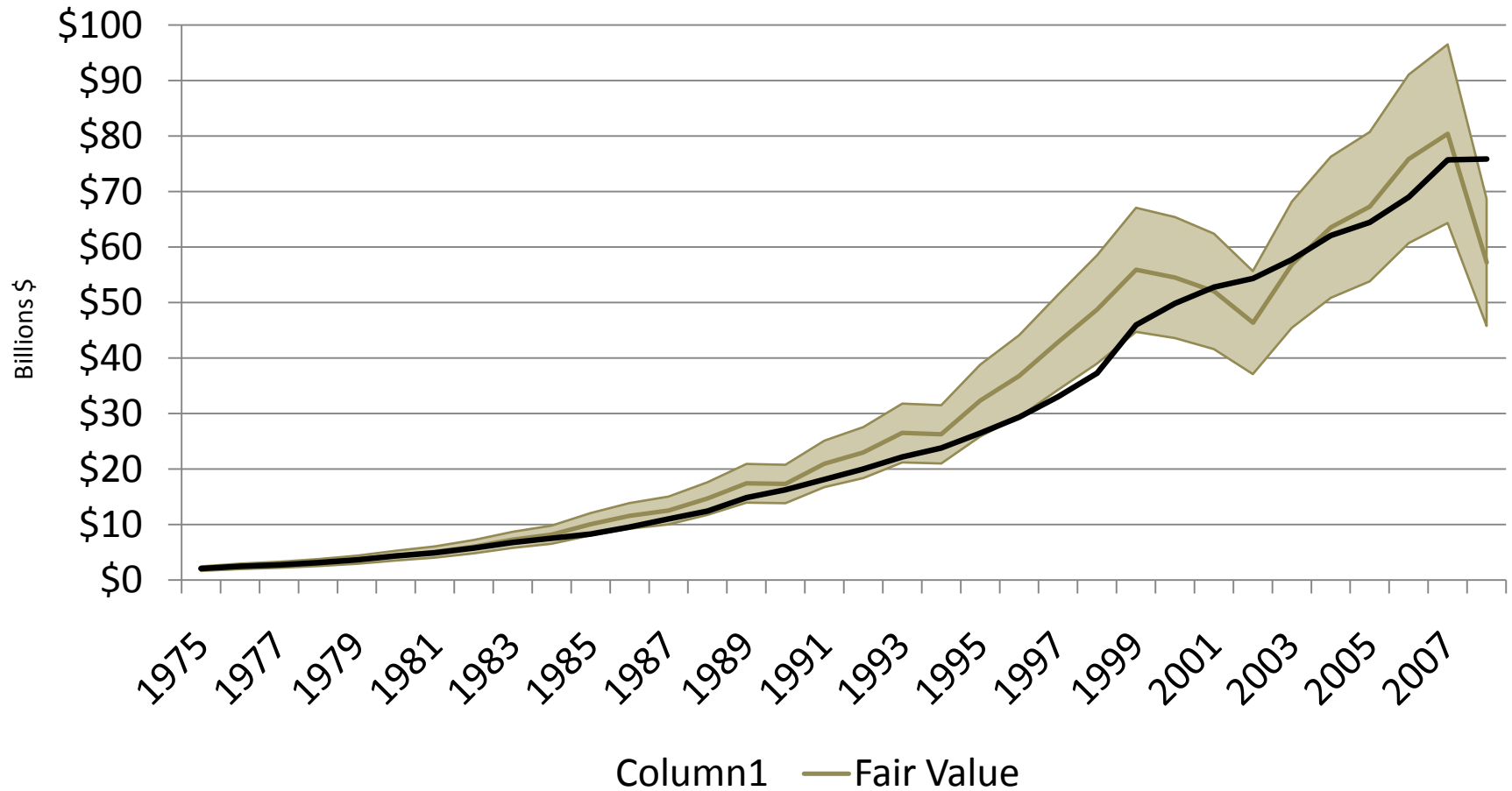
# When Fair Value is Less than Funding Value

- No reserve exists for future losses and accumulated losses will offset future investment gains.
- Employer contribution rates are lower than the long-term funding requirements of the system
- Annuity adjustments are higher than can be supported by asset values.
- We are counting on future investment gains
- Annuity decreases are being transferred from current annuitants to future annuitants.

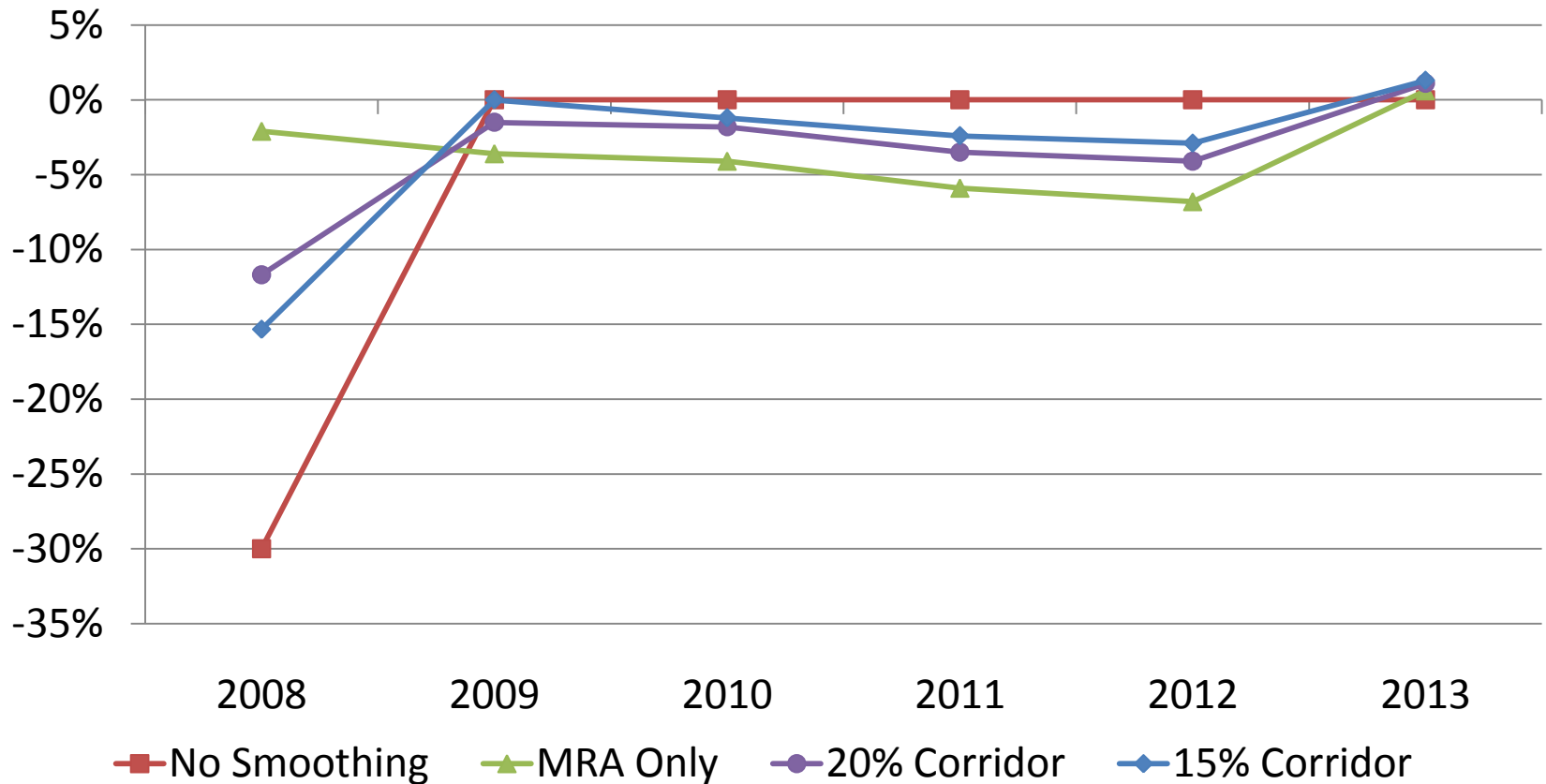
# Fair Value Corridor

- A fair value “corridor” defines the extent to which funding value is allowed to deviate from fair value. When funding value falls outside of the fair value corridor, gains or losses are recognized to bring funding value back within the corridor.
- A corridor is a limitation on the smoothing of changes in asset values.

# Core Fund Fair Value vs. Funding Value with 20% Corridor



# Core Annuity Adjustments Smoothing Comparisons



Questions?

Staff believes that with careful planning and disciplined adherence to agendas, it is possible to condense the two-day format into one day. Please see the attached sample Board agenda. There are significant advantages to completing all the meetings in one day:

- **Facilitates Information Flow to All Board Members.** One-day meetings would facilitate attendance at ETF Board meetings of Teacher and Wisconsin Retirement Board members. This also would make it easier for these members to monitor and stay abreast of ETF Board activities.
- **Efficiently Uses Board Members' Time.** One-day meetings would reduce the amount of time Board members need to be away from their jobs or other activities. In the long-term, this may make service on the Boards more palatable to a broader range of people.
- **Reduces Meeting-Related Expenditures.** One-day meetings would reduce overall costs for ETF by cutting expenditures for meeting space, meals and lodging for Board members. Preliminary estimates suggest a savings of at least \$700 per quarterly meeting (\$2,800 annually).
- **Efficiently Uses ETF Staff Time.** One-day meetings would significantly reduce the amount of ETF staff time spent out of the office. The board liaisons, who also serve as administrative assistants within the Department, spend the equivalent of two full days out of the office arranging board space and equipment, and coordinating business needs with the hotel staff. Additionally, Department executive and program staff who are responsible for attending Board meetings spend the better part of two days out of the office.

The only potential barrier to concluding the Boards' work in one day would be an increase in appeals. However, we believe that, absent an unexpected spike in appeals cases, we can accommodate the periodic appeals that we now have with *ad hoc* adjustments in the Board agendas. For example, we could shorten the Joint Informational portion of the meeting or make other adjustments to agendas so that the Boards have sufficient time to address the appeals. If appeals increase, we could schedule special meetings of the affected Boards just to hear the appeals. Finally, if appeals increase significantly, the Boards could go back to a two-day meeting format.

In conclusion, we believe that the advantages of going to a one-day meeting schedule outweigh the potential disadvantages and that those disadvantages can be addressed on an *ad hoc* basis.

Attachment

**EXAMPLE OF  
1-DAY RETIREMENT BOARD  
MEETING AGENDA**

<b>7:30 a.m. – 9:15 a.m.</b>	Executive Committee/Budget & Operations Committee/Audit Committee (1, or possibly 2, of the 3 meetings)
<b>9:30 a.m. – 11:00 a.m.</b>	Joint Informational Session
<b>11:00 a.m. – 11:30 a.m.</b>	Wisconsin Retirement Board
<b>11:30 a.m. – 12:00 noon</b>	Teachers Retirement Board
<b>12:00 noon – 1:15 p.m.</b>	Lunch
<b>1:30 a.m. – 4:00 p.m.</b>	Employee Trust Funds Board



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Department of Employee Trust Funds  
David A. Stella  
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**CORRESPONDENCE MEMORANDUM**

**DATE:** March 20, 2009  
**TO:** Employee Trust Funds Board  
**FROM:** David Stella, Secretary  
**SUBJECT:** Secretary's Report

The following report reflects some of my activities as well as the various issues that I have focused on during the past several months:

**Strategic Planning:** The Secretary's Office has initiated the strategic planning process for the next three to five years. The process began with a half-day retreat for Employee Trust Fund's (ETF) senior leadership team, which consists of division administrators and office directors. We discussed the overall strategic planning process and future challenges and worked together to create a *vision* statement. This *vision* will guide the development of goals and tactics by the leadership team after inviting input from ETF staff in the planning process. We expect to create a draft of the plan and discuss it with the ETF Board and Committees later this year. This will be an important process and one that we hope will create a more definitive strategic plan with specific deliverables and time frames.

**Presentations to Stakeholders/Constituent Groups:** I have given numerous presentations to various groups since November 2008 to discuss the impact of the financial market downturn on Wisconsin Retirement System (WRS) investment returns. The presentations have included discussions with employee, employer and retiree groups. The focus of the presentations has been on how retiree benefits, employee and employer contribution rates, and employee retirement annuities will be affected. Unfortunately, the news is not positive. Overall, I think the groups have generally understood the situation.

**2009-2011 Biennial Budget Proposals:** The Governor's budget was released on February 17, 2009. Before that date, I had several meetings and telephone conversations with Department of Administration (DOA) Secretary Michael Morgan about ETF's budget proposals, the urgency of our resource requirements, and the need for greater budget flexibility. The budget that the Governor proposed resulted in a "mixed bag" of favorable and not so favorable provisions for ETF and its members, as outlined below:

Position Request: On the positive side, ETF received a total of 12 new positions over the biennium. However, since we will lose 8.1 full-time equivalent (FTE) project positions by June 30, 2009, we actually only net 3.9 new FTE over the biennium. In

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addition, the DOA included our position flexibility request by adding a provision that allows ETF to use the passive review position request process and submit requests to the Legislature's Joint Finance Committee (JFC). This means that if we submit position request(s) to the JFC and they are not acted upon within 14 days, they are automatically approved. This is an important step forward to help us effectively meet current and future customer service needs and agency challenges.

Funding Request: On the not so positive side, the Governor did not include our request for a passive review process related to appropriation increases in his budget proposal. So, while we can request positions through passive review, requests for expenditure authority increases must come through the biennial budget process or emergency funding requests under the statutory s.13.101 process. In addition, ETF's budget has been cut by 1%, the same amount established for all other state agencies. This amounts to a \$260,300 reduction each year of the biennium. In effect, it reduces ETF's inflation adjustment for the biennium by 50%.

Overall, the Department requested an operating budget appropriation increase of \$11.9 million and 49.0 FTE positions over the biennium and received \$1.5 million and 3.9 FTE.

Policy Recommendations: A number of ETF policy recommendations were not included in the Governor's budget proposal. However, one request was included that authorizes the Group Insurance Board (GIB) to expand benefit coverage to allow the inclusion of wellness or disease management programs under its participating plans. It also authorizes the GIB to contract for consulting services.

In addition, the Governor's budget request includes two new provisions that ETF must implement. These involve extending group health insurance and WRS coverage to domestic partners of public employees, and a modification of current law to permit educational support employees to accrue creditable service at the same rate as school district teachers, librarians and administrators. While both of these provisions will present significant administrative challenges for the Department, we are committed to working constructively with the Legislature, the University of Wisconsin and other parties to effectively implement any approved changes.

**Health Insurance Premiums for Public Safety Officers:** The Department began implementation of the public safety officer health insurance premium tax exemption provision of \$3,000 on February 1, 2009. ETF already performs the premium withholding and tax reporting function for public safety officers in the State's health plans and has now expanded it to all retired public safety officers who have other health plan coverage. The Department implemented the program in the same manner that it handles the premium withholding/reporting in ETF health plans. This requires other insurance plans to accept electronic transfer of payments with a single billing. Some insurance plans and employers have decided that they do not want to participate.

**Continuing Hiring Freeze/Limitations Imposed on State Agencies:** As of the drafting of this memo (February 24), no state agencies, including ETF, may fill vacant positions without DOA's approval. Thus far, ETF requested authority to fill nine positions. We have received approval to fill six of the nine, although we have submitted some positions for approval more than once.

Employee Trust Funds Board

March 20, 2009

Page 3

There is one position that was established as part of the Department's reorganization plan that was previously approved by DOA. We have submitted the position twice since then and each time DOA has declined to give recruitment approval. The position control process is affecting our ability to fill positions in a timely way and is resulting in further backlogs in some service areas.

I hope this information is helpful and I look forward to discussing the report with the Board and answering any questions that arise.



STATE OF WISCONSIN  
Department of Employee Trust Funds  
David A. Stella  
SECRETARY

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***CORRESPONDENCE MEMORANDUM***

**DATE:** March 4, 2009  
**TO:** Employee Trust Funds Board  
**FROM:** Matt Stohr, Director, Office of Legislative Affairs, Communications and Quality Assurance  
**SUBJECT:** Member Correspondence

**This memo is for informational purposes only. No Board action is required.**

Attached, please find a sampling of correspondence that we have received from members since the last Board meeting in December. The letters from Ms. Walters and Mr. King, which are the first and second letters in the packet, and some of our responses (which follow the correspondence in the packet) were specifically addressed to the Board.

I will be available at the March meeting to answer any questions you may have.

Attachments

Board	Mtg Date	Item #
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STATE OF WISCONSIN  
Department of Employee Trust Funds  
David A. Stella  
SECRETARY

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**CORRESPONDENCE MEMORANDUM**

**DATE:** March 3, 2009  
**TO:** Employee Trust Funds Board  
**FROM:** Lynn Jarzombeck, Policy Advisor  
Division of Retirement Services  
**SUBJECT:** Wisconsin Retirement System (WRS) Benefit Information

**This memo is for informational purposes only. No Board action is required.**

Please find attached the *WRS Benefit Information* report for the period October – December 2008 and Calendar Year 2008. This document contains information reflecting the retirement benefit activities administered by the Department of Employee Trust Funds. The data presented covers participant retirement estimates requested, new annuities started, and WRS annuity payment information.

Besides quarterly information, this report contains calendar year 2008 data on retirement benefit activities. Several new data elements have been added, such as comparisons to prior years and annuitant location information. An item of interest in this report is new annuities started in 2008. The number of new annuities that were started dropped 8.3% compared to 2007. However, retirement estimates requested remained comparable to 2007, only dropping .7%.

We would appreciate receiving any feedback that you would like to offer on further enhancements to this document. Staff will be available at the meeting to answer questions. Contact Jean Gilding at (608) 266-1210 (e-mail [jean.gilding@etf.state.wi.us](mailto:jean.gilding@etf.state.wi.us)) or Lynn Jarzombeck at (608) 261-8081 (e-mail [lynn.jarzombeck@etf.state.wi.us](mailto:lynn.jarzombeck@etf.state.wi.us)) with any further comments or questions.

attachment

Reviewed and approved by Jean Gilding, Administrator, Division of Retirement Services.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

Board	Mtg Date	Item #
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**STATE OF WISCONSIN**  
**Department of Employee Trust Funds**

**Wisconsin Retirement System (WRS) Benefit Information**

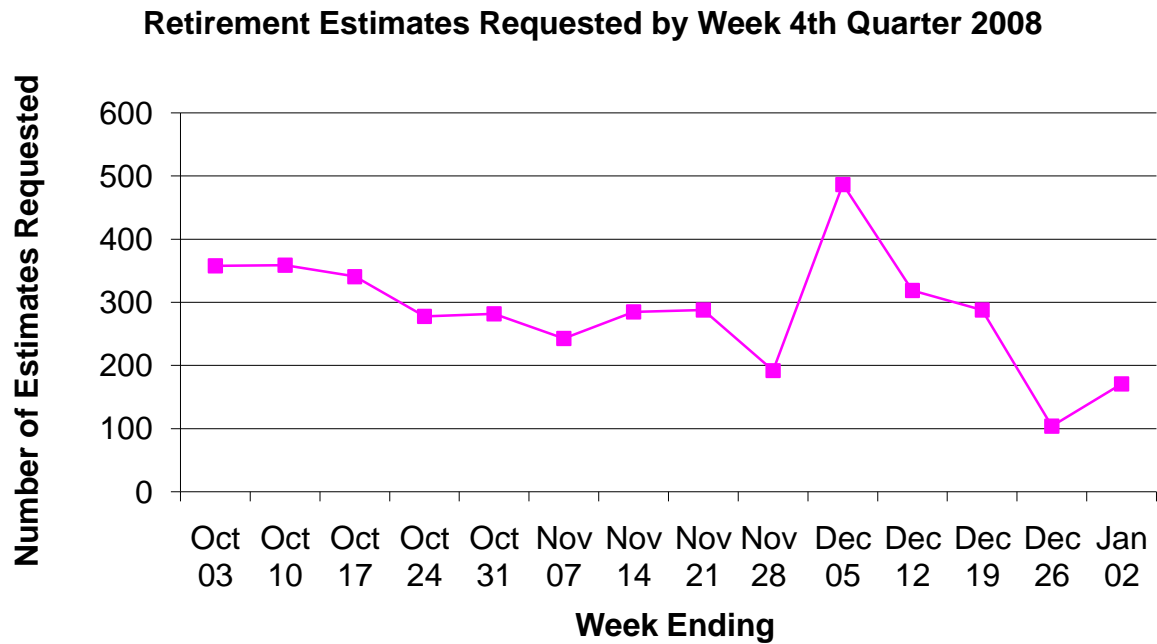
**October - December 2008**

**&**

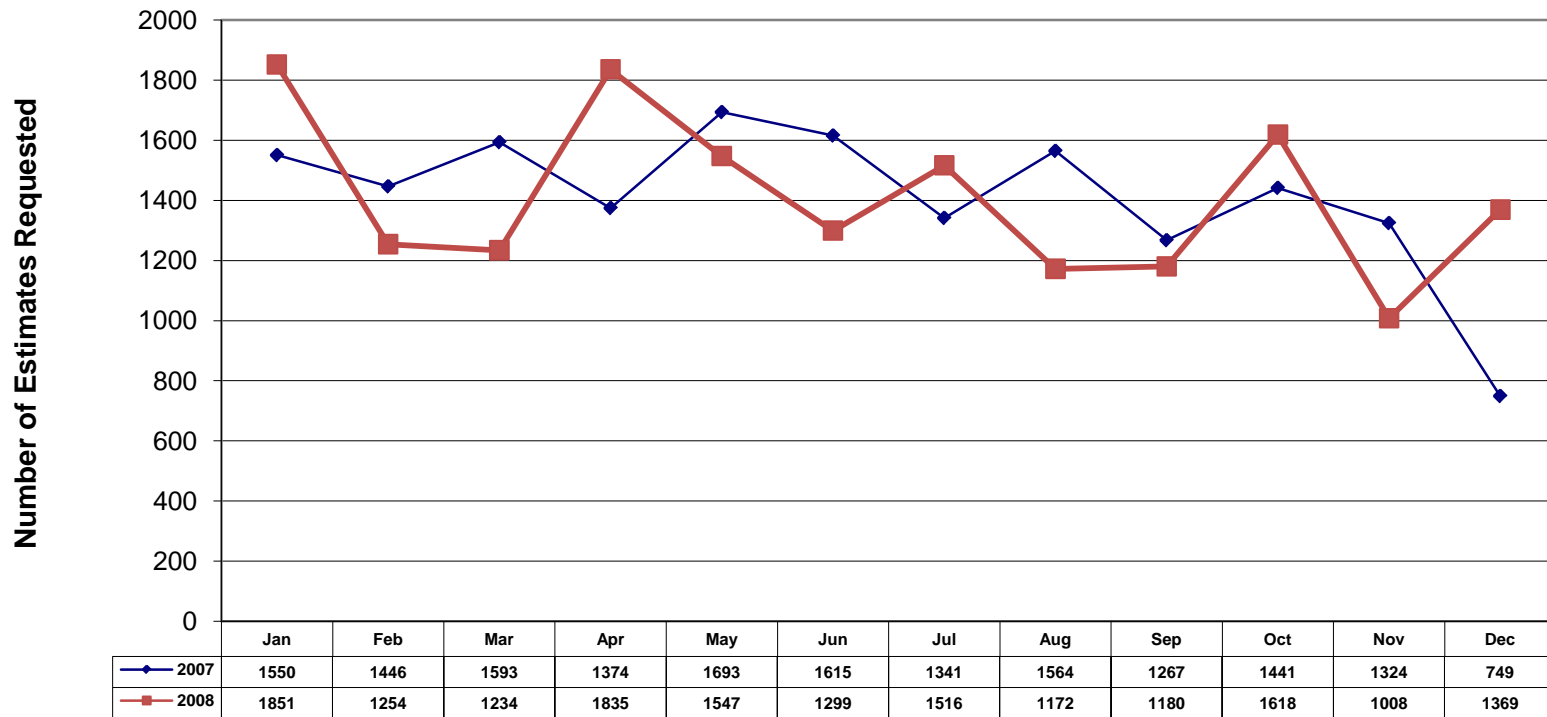
**Calendar Year 2008**

## WRS RETIREMENT ESTIMATES

- 3,995 Retirement Estimates requested during the period October - December 2008
- Retirement Estimates requested increased 13.7% from the previous year's 4th quarter (3,514 in 2007)
- Retirement Estimates requested in 2008 (16,883) decreased .7% compared to 2007 (16,957)



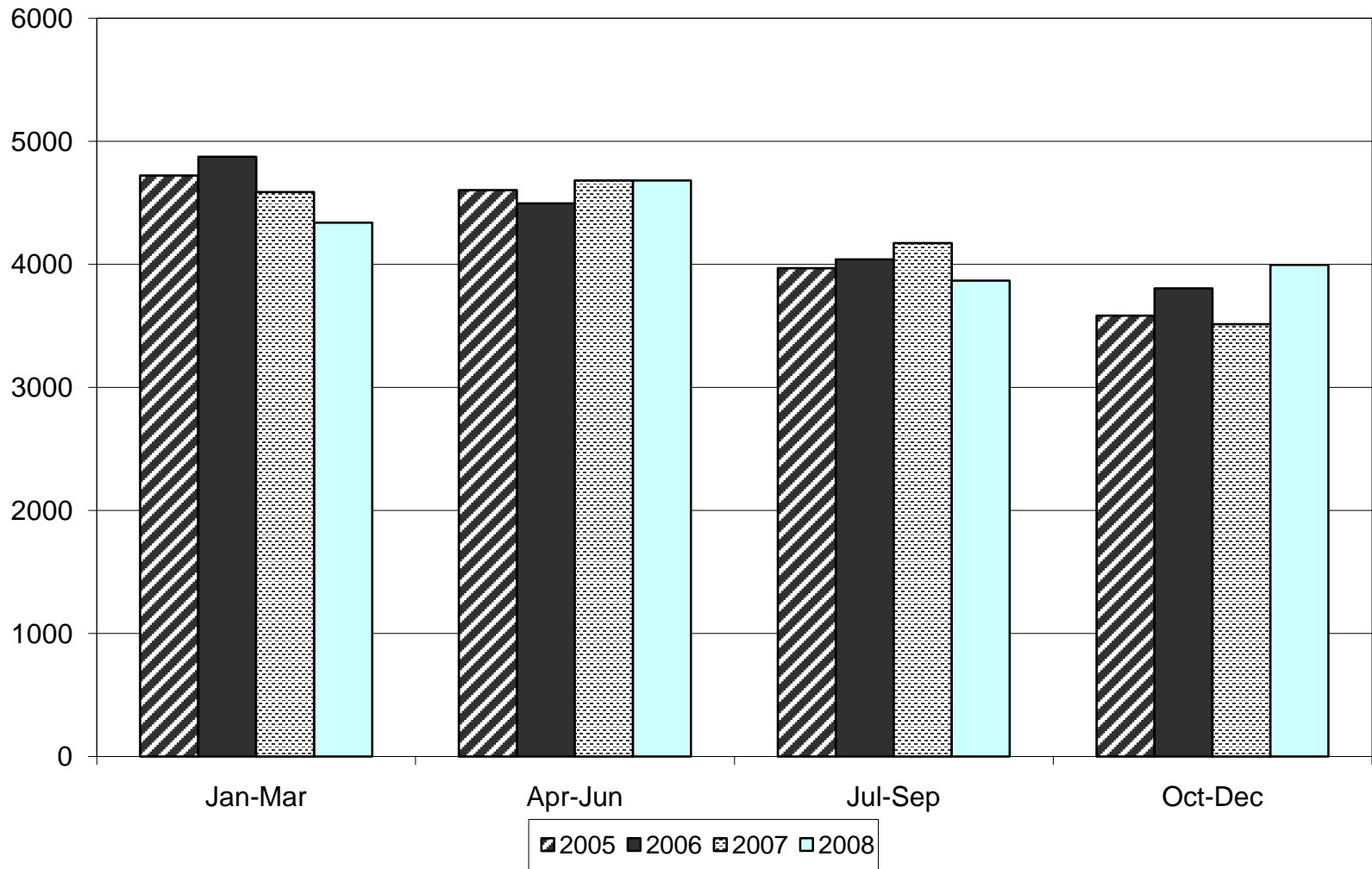
**WRS RETIREMENT ESTIMATES**  
**Retirement Estimates Requested by Month**  
**2008 Compared to 2007**



**Payroll Month**

**WRS RETIREMENT ESTIMATES**  
**Retirement Estimates Requested**  
**2005-2008**

Participants can request a formal benefit estimate up to one year before anticipated retirement.

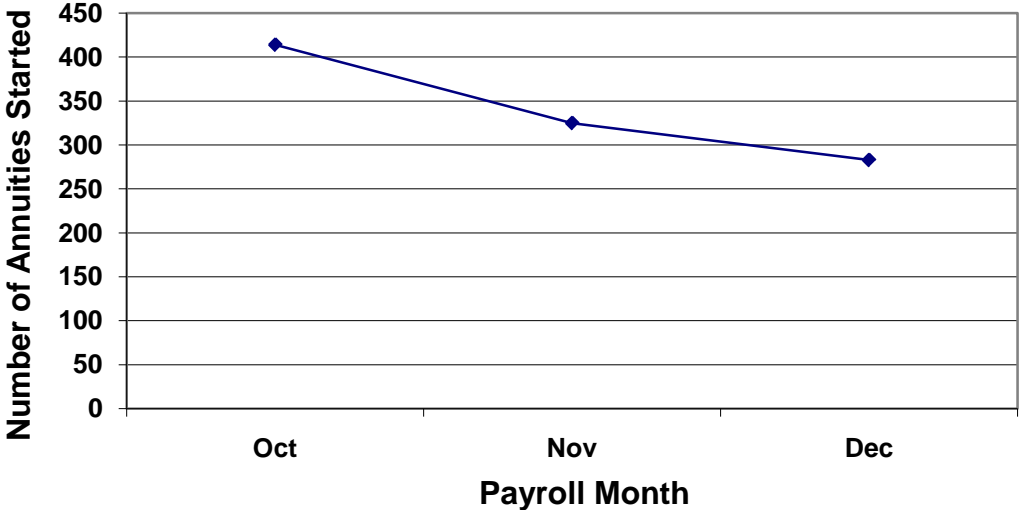




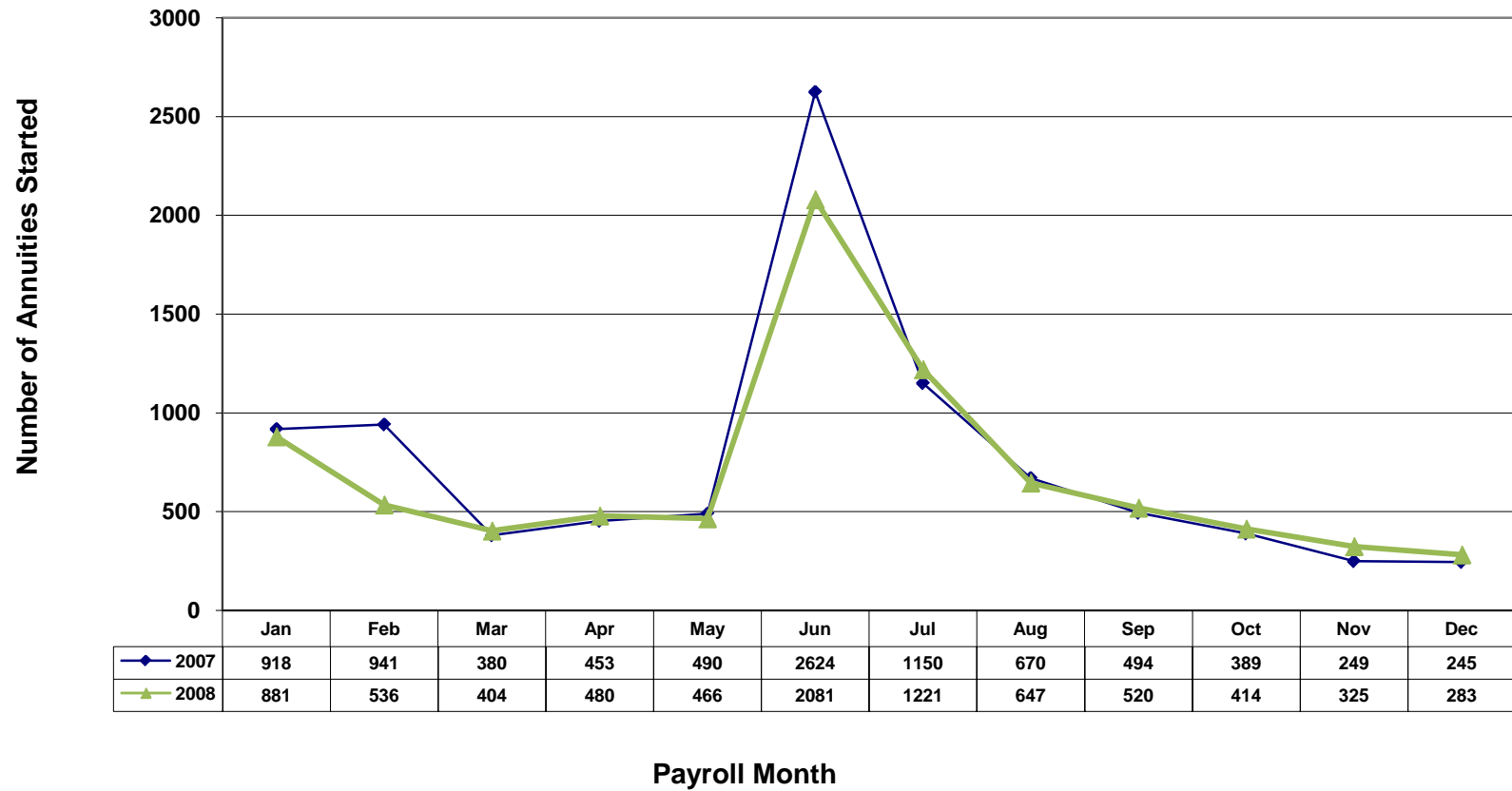
### WRS RETIREMENT ANNUITIES

- 1,022 New Annuities started during the period October - December 2008
- No Annuities started as Finalized Payments (the Department has the final service earnings and contribution data from the employer)
- New Annuities started increased by 15.7% from the previous year's 4th quarter (883 in 2007)
- New Annuities started in 2008 (8,258) decreased 8.3% compared to 2007 (9,003)

**New Annuities Started by Month 4th Quarter 2008**

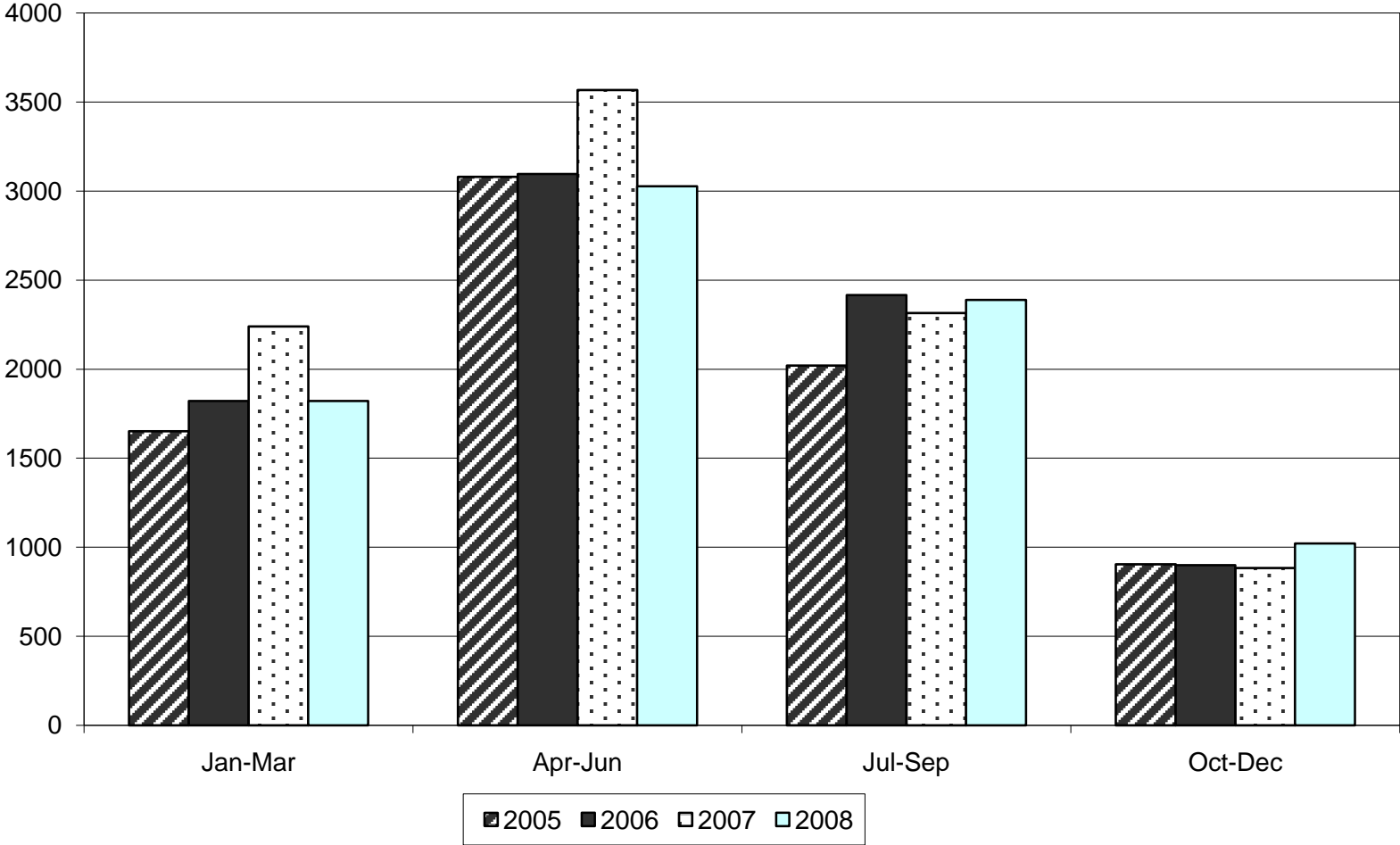


**WRS RETIREMENT ANNUITIES**  
**New Annuities Started by Month**  
**2008 Compared to 2007**

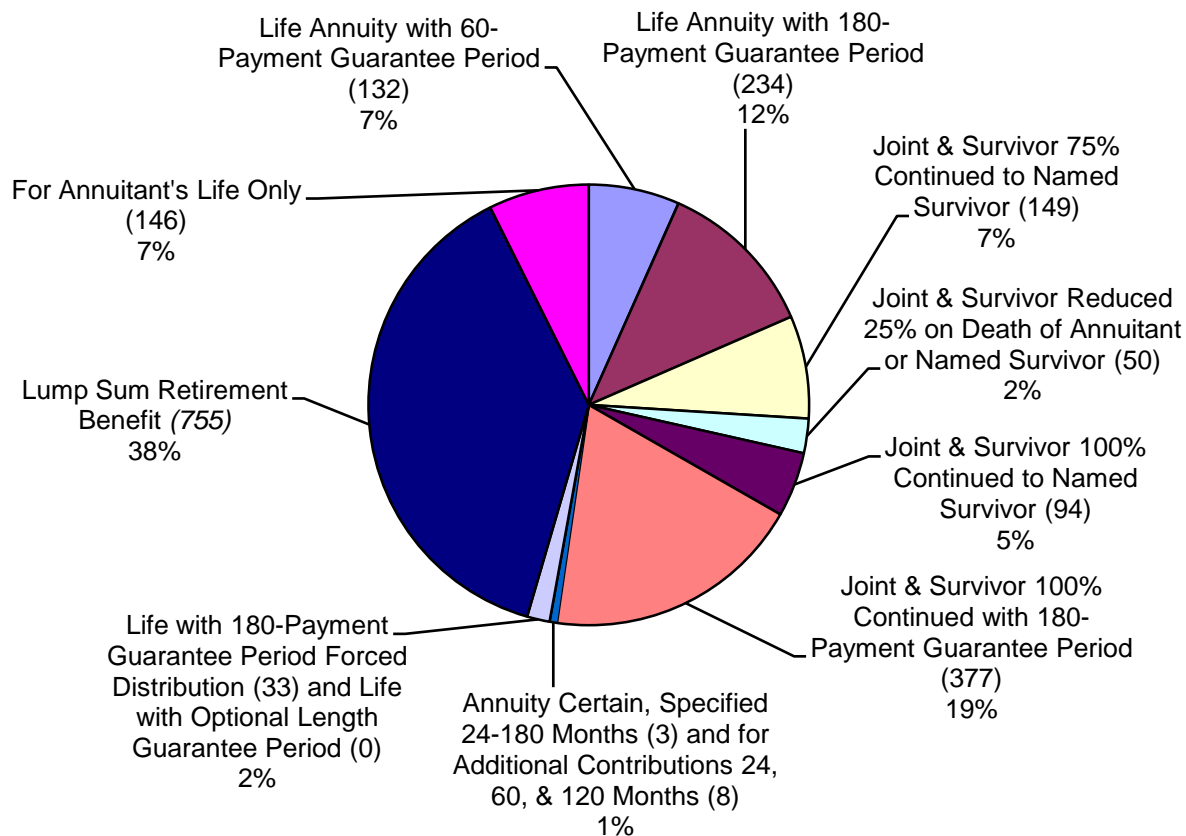


**WRS RETIREMENT ANNUITIES**  
**Estimated Annuities Started**  
**2005 - 2008**

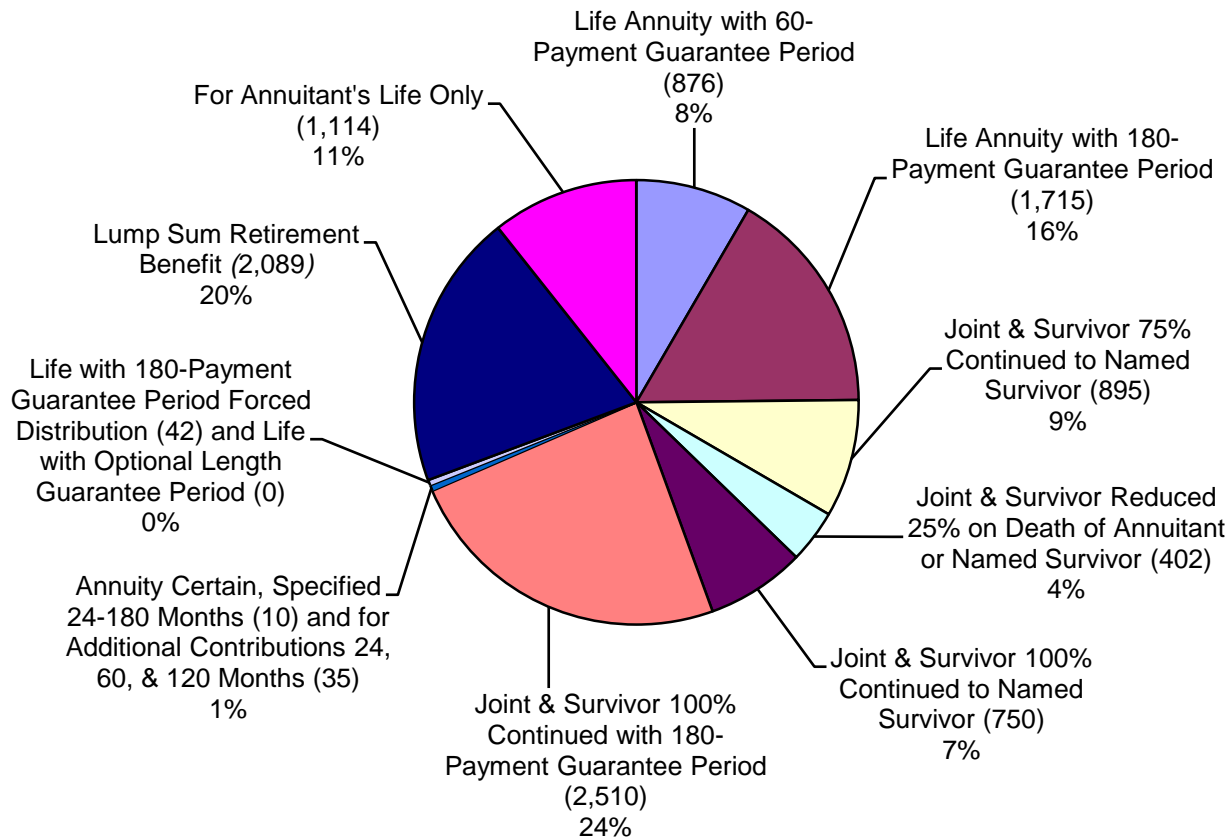
New annuities are quickly processed by giving participants "estimated" annuities that are calculated as close as possible to final eligible benefits.



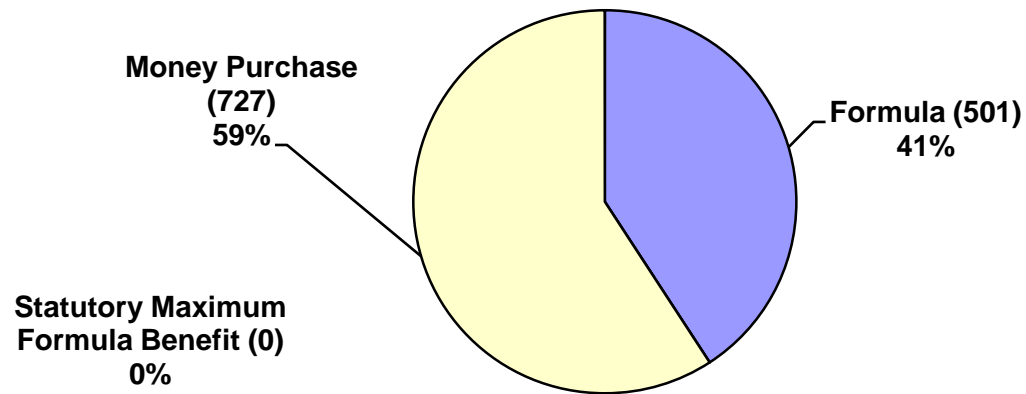
**WRS RETIREMENT ANNUITIES**  
**Benefit Options Taken**  
**Finalized Annuities & Lump Sum Retirement Benefits**  
**4th Quarter 2008**



**WRS RETIREMENT ANNUITIES**  
**Benefit Options Taken**  
**Finalized Annuities & Lump Sum Retirement Benefits**  
**for Calendar Year 2008**



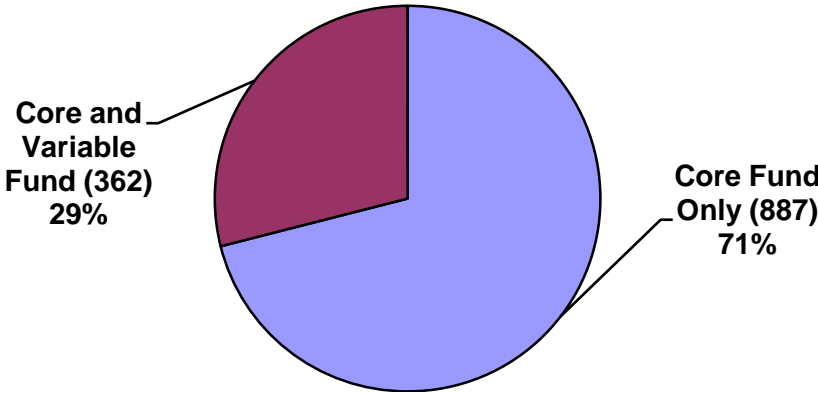
**WRS RETIREMENT ANNUITIES  
Finalized Annuities  
By Benefit Calculation Type  
4th Quarter 2008**



- Money Purchase Calculated Benefits jumped up in the 4th quarter bringing the total benefits finalized under each calculation type for 2008 very close to year-end 2007 percentages.

	Formula	Money Purchase
2005	42.9%	57.1%
2006	48.4%	51.6%
2007	45.9%	54.1%
2008	46.0%	54.0%

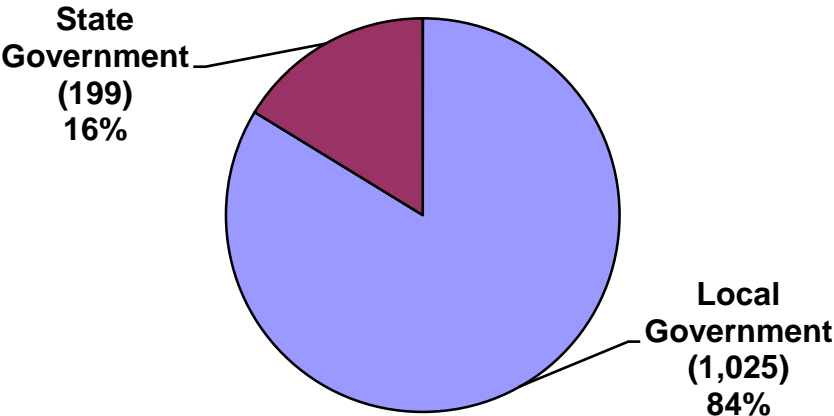
**WRS RETIREMENT ANNUITIES  
Finalized Annuities  
By Benefit Fund Type  
4th Quarter 2008**



- Core Fund Only Benefits finalized in the 4th quarter rose in relation to Core and Variable Fund Benefits, but declined in comparison for the year.

	Core Only	Core & Variable
2005	68.6%	31.4%
2006	71.0%	29.0%
2007	69.2%	30.8%
2008	68.6%	31.4%

**WRS RETIREMENT ANNUITIES  
Finalized Annuities  
By Employer Type  
4th Quarter 2008**

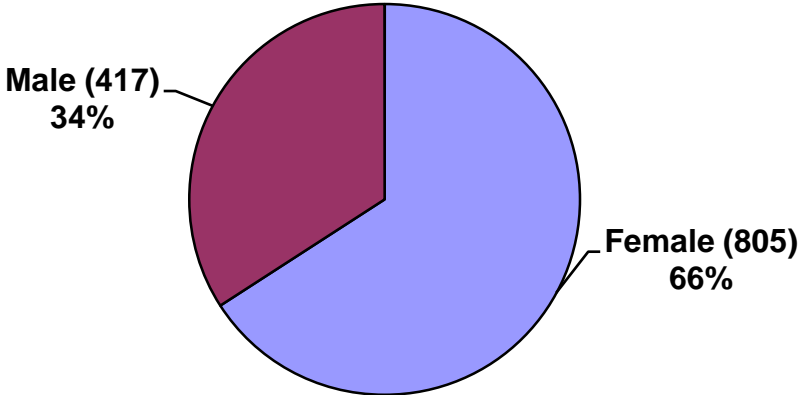


- Local Government Retirees rose in comparison to State Government Retirees in the 4th quarter, ending 2008 7.2% higher than in 2007, while State Government Retirees dropped correspondingly.

	Local Government	State Government
2005	73.1%	26.9%
2006	59.6%	40.4%
2007	68.3%	31.7%
2008	75.5%	24.5%



**WRS RETIREMENT ANNUITIES**  
**Finalized Annuities**  
**By Gender**  
**4th Quarter 2008**



- Female Retirees increased significantly in the 4th quarter over Male Retirees, ending 2008 1.9% higher in comparison to 2007, while Male Retirees declined 1.9%.

	Male	Female
2005	41.9%	58.1%
2006	44.6%	55.4%
2007	41.6%	58.4%
2008	39.7%	60.3%

**WRS RETIREMENT & BENEFICIARY ANNUITIES**  
**Retirement Terminations and Beneficiary Information**  
**4th Quarter 2008**

- 18 Retirement Annuity Terminations occurred during the period October - December 2008
  - 15 annuitants returned to work and elected to participate in the WRS
  - 2 annuitants cancelled their benefit applications
  - 1 annuitant never terminated and continued employment
  
- 51 Beneficiary Annuities started during the period October – December 2008
  
- 3 Beneficiary Annuity Terminations occurred during the period October - December 2008
  - All 3 beneficiaries converted their annuities to lump sum payments

**WRS RETIREMENT & BENEFICIARY ANNUITIES**  
**Annuity Payment Information**  
**4th Quarter 2008**

**Gross Annuity Payments by Fund (\$)**

Payroll Month	Core	Variable	Subtotal	General Purpose Revenue	Total
08-Oct	286,973,597.33	35,777,818.65	322,751,415.98	90,354.60	322,841,770.58
08-Nov	286,700,180.05	35,670,482.20	322,370,662.25	87,243.95	322,457,906.20
08-Dec	286,328,514.26	35,666,847.98	321,995,362.24	87,986.74	322,083,348.98

**Gross Annuity Payments by Method of Payment (\$)**

Payroll Month	Direct Deposit	Paper Check	Deductions	Accounts Receivable	Total
08-Oct	248,223,223.66	23,547,865.06	51,580,416.82	(509,734.96)	322,841,770.58
08-Nov	247,986,740.35	23,287,133.67	51,778,454.17	(594,421.99)	322,457,906.20
08-Dec	247,756,352.62	23,192,466.52	51,658,764.17	(524,234.33)	322,083,348.98

**Number of Annuitants Paid**

Payroll Month	Annuitants Paid by Direct Deposit		Annuitants Paid by Paper Check		Total
08-Oct	129,452	88.47%	16,879	11.53%	146,331
08-Nov	129,626	88.53%	16,792	11.47%	146,418
08-Dec	129,756	88.58%	16,724	11.42%	146,480

**WRS RETIREMENT & BENEFICIARY ANNUITIES**  
**Annuity Payment Information**  
**For Calendar Year 2008**

**Gross Annuity Payments by Fund (\$)**

For 12 Payroll Months	Core	Variable	Subtotal	General Purpose Revenue	Total
<b>2006</b>	2,825,994,929.46	387,403,686.61	3,213,398,616.07	1,763,900.98	3,215,162,517.05
<b>2007</b>	3,034,533,930.54	421,811,955.87	3,456,345,886.41	1,422,120.08	3,457,768,006.49
<b>2008</b>	3,344,886,380.55	429,217,427.20	3,774,103,807.75	1,160,473.12	3,775,264,280.87

**Gross Annuity Payments by Method of Payment (\$)**

For 12 Payroll Months	Direct Deposit	Paper Check	Deductions	Accounts Receivable	Total
<b>2006</b>	2,387,328,719.11	325,772,522.27	507,807,418.06	(5,746,142.39)	3,215,162,517.05
<b>2007</b>	2,600,292,171.05	313,292,607.86	549,658,895.86	(5,475,668.28)	3,457,768,006.49
<b>2008</b>	2,874,067,714.45	306,265,937.04	602,060,945.47	(7,130,316.09)	3,775,264,280.87

**Annuitant Location**

Number of Annuitants Residing in Location					
Wisconsin	126,032	86.04%	Texas	959	0.65%
Florida	3,679	2.51%	Michigan	934	0.64%
Arizona	2,076	1.42%	Colorado	585	0.40%
Minnesota	1,929	1.32%	Arkansas	495	0.34%
Illinois	1,207	0.82%	Other States & U.S. Territories	7,223	4.93%
California	1,131	0.77%	Foreign Countries	230	0.16%





STATE OF WISCONSIN  
Department of Employee Trust Funds  
David A. Stella  
SECRETARY

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**CORRESPONDENCE MEMORANDUM**

**DATE:** March 4, 2009  
**TO:** Employee Trust Funds Board  
**FROM:** Jon Kranz, Director  
Office of Budget and Trust Finance  
**SUBJECT:** 2009-2011 Department Biennial Budget Update

**This memo is for informational purposes only. No Board action is required.**

Attached is a document that summarizes the status of the biennial budget request for the Department of Employee Trust Funds (Department) through the budget recommendations submitted to the Legislature by the Governor on February 17, 2009. In addition, the document includes other provisions recommended by the Governor that could affect the Department.

The 2009-2011 biennial budget request for the Department was submitted to the Department of Administration on September 26, 2008. The period covered by the budget request is July 1, 2009 - June 30, 2011. The schedule for review and action by the Governor and Legislature is anticipated to be as follows:

STAGE	ANTICIPATED SCHEDULE
Agency Budget Request Due	Submitted September 26, 2008
<b>Governor Issues Budget Recommendations</b>	<b>February 17, 2009</b>
Review and Action by the Joint Committee on Finance	March 2009/April 2009
Action by Full Legislature	May 2009/June 2009
Final Enacted Budget	June 2009

In addition to the biennial budget request, the Department also submitted a capital budget request for the authority to acquire a new headquarters facility. The Governor's capital budget recommendations are expected to be submitted sometime in March 2009.

Please contact me at (608) 267-0908 should you desire any additional information.

Reviewed and approved by Robert J. Conlin, Deputy Secretary.

Signature

Date

Board	Mtg Date	Item #
ETF	3/20/09	6

**Department of Employee Trust Funds  
Summary of Fiscal 2009-2011 Biennial Budget Request**

Updated February 26, 2009

**Segregated Trust Fund Dollars Only**

	FY 2010		FY 2011	
	FTE	Funding	FTE	Funding
<b>Base Budget (FY 2009)</b>	220.8	\$26,030,300	220.8	\$26,030,300
<b>ETF Request Over Base*</b>	25.0	\$9,927,300	49.0	\$11,956,200
<b>Governor's Recommendations</b>	(2.1)	\$806,700	3.9	\$1,543,700
<b>Joint Committee on Finance</b>				
<b>Legislature</b>				
<b>Final Enacted Budget</b>				

\* Includes new initiatives and standard technical adjustments

**New Department Initiatives**

**1. Continuation of Critical Customer Service Functions**

	FY 2010		FY 2011	
	FTE	Funding	FTE	Funding
<b>ETF Request</b>	33.1	\$9,806,700	57.1	\$11,835,600
<b>Governor's Recommendations</b>	6.0	\$946,400	12.0	\$1,683,400
<b>Joint Committee on Finance</b>				
<b>Legislature</b>				
<b>Final Enacted Budget</b>				

Funding and positions to address current work backlogs and anticipated workload growth due to the retirement of the "baby boom" generation. Addresses need to continue core customer service functions.

Included in this initiative were the following three statutory changes to increase the administrative flexibility available to the Department to more effectively meet the anticipated increased demand on customer service functions.

- a) **Passive review process for the creation and deletion of positions.** This change would allow the Department to request changes in the authorized position level throughout the biennium based on workload metrics. To create or delete position authority, the Department would forward a request to the Joint Committee on Finance (JCF). During a 14-day review period, either the Governor or a member of JCF could register an objection to the Department request. The JCF would schedule a meeting to discuss the request if either party registered an objection. If no action is

taken by either the Governor or JCF member, the request would be considered approved after 14 days. As part of this change, the Department would need to seek Board approval for any position request that would increase the position authority over the peer system median of the ratio of participants to full-time equivalent staff. The Department would report quarterly on any positions created or deleted under this provision to the JCF, Governor, and Employee Trust Funds (ETF) Board.

- b) Passive review process for the establishment of expenditure authority for the costs of administering benefit programs.** This change would allow the Secretary to establish the annual level of spending for administrative functions based on workload metrics, membership levels and an analysis of expenditure levels of peer public systems. The Secretary would forward the annual expenditure authority recommendation to the JCF and the Governor. A passive review process similar to the one described in the previous item would be utilized. The current “annual” appropriation used for administrative operations would be changed to a “continuing” appropriation allowing unused funds in one year to be carried over to subsequent years.
- c) Clarification of the ETF Board’s procurement authority.** This change would clarify certain ambiguities regarding the Department’s procurement authority. This change more clearly indicates that for the purposes of the Public Trust Fund, the Board is the procurement authority (as opposed to the Department of Administration).

**Governor’s Recommendation:** Provides 6.0 FTE permanent positions and \$946,400 in FY 2010 and 12.0 FTE permanent positions and \$1,683,400 in FY 2011 to accommodate the additional workload.

Creates the passive review process for creating and deleting positions as described in item “a” of the administrative flexibility initiatives described above except that there is no requirement to obtain ETF Board approval prior to exceeding the participant to staff ratio of peer public systems.

The statutory changes related to expenditure authority (item “b” above) and clarification of procurement authority (item “c” above) were not included in the Governor’s budget proposal.

## **2. Group Insurance Program Efficiencies**

Statutory changes to provide additional efficiencies for the administration of the group insurance programs.

- a) Wellness incentives for the Group Health Insurance Program.** This statutory change would allow the Group Insurance Board (GIB) to incorporate a wellness incentive component into the health plans without having to reduce another benefit as currently required by the statutes. This change will allow the GIB to better encourage member participation in wellness and disease management programs developed or sanctioned by the GIB.
- b) Expansion of GIB authority to contract for data collection and analysis services.** This change would expand the GIB’s authority for obtaining consulting services related to insurance programs offered by the Board. The current authority



under this provision is limited to contracting for data collection and analysis related to the health insurance programs.

- c) **Elimination of the requirement for GIB approval of payroll deduction of optional insurance plans.** This change would eliminate the requirement that state agencies obtain GIB approval prior to offering payroll deduction for optional employee-pay-all insurance plans.
- d) **Additional flexibility to determine long-term care insurance options.** This change would allow the GIB to limit the number of long-term care plans offered. Currently, the GIB must offer to employees any plan that meets the standards established by the GIB.

**Governor's Recommendation:** The wellness incentives (item "a" above) and GIB contracting authority (item "b" above) statutory changes are included in the Governor's budget recommendations.

### **3. New Headquarters Facility**

Approval and expenditure authority for the design and construction/purchase of a new Department headquarters facility. Note that the majority of the request associated with this item will be handled via the Governor's capital budget request which is anticipated to be released sometime in March 2009.

This item includes a request for a sum sufficient appropriation to fund costs associated with the design and related pre-construction costs. The appropriation is requested so that the building-related costs do not compete with the resource needs for day-to-day departmental operations.

**Governor's Recommendation:** Not included in the Governor's budget recommendations.

**Summary of Department FTE Positions by Fund Source  
Through the Governor's Recommendations (2/18/09)**

	FY 2009 (Base)	FY 2009-11 Department Request	FY 2008-09 Governor	Change Base to Governor
SEG Permanent	212.7	269.8	224.7	12.0
SEG Project	8.1	-	-	(8.1)
<b>SEG Total</b>	<b>220.8</b>	<b>269.8</b>	<b>224.7</b>	<b>3.9</b>

**Summary of Department Budget Request by Fund Source  
Through the Governor's Recommendations (2/18/09)**

	FY 2010	FY 2011
SEG Funding Adjusted Base (FY 2007)	\$26,030,300	\$26,030,300
Standard Technical Adjustments	120,600	120,600
<b>New SEG Funded Initiatives</b>	<b>686,100</b>	<b>1,423,100</b>
<b>Total SEG Funded Budget Request</b>	<b>\$26,837,000</b>	<b>\$27,574,000</b>
GPR Funding Adjusted Base (FY 2007)	1,062,900	1,062,900
Standard Technical Adjustments	(220,700)	(392,400)
<b>Total GPR Funded Budget Request*</b>	<b>\$842,200</b>	<b>\$670,500</b>
<b>All Funds Total</b>	<b>\$27,679,200</b>	<b>\$28,244,500</b>

\* GPR includes \$30,000 per year for BadgerRx Gold advances (a program that allows non-WRS individuals to purchase prescription drugs from the State prescription drug plan at discounted prices)

**FY = Fiscal Year** - the state fiscal year begins July 1 and ends June 30.

**FTE = Full-time Equivalent position**

**GPR = General Purpose Revenues** – represents appropriations from the general fund; these are primarily funds derived from income and sales taxes.

**SEG = Segregated Funds** – for ETF, this represents appropriations from the Public Employee Trust Fund; the source of funds includes employer/employee contributions and investment earnings.

## Governor's Initiatives

### 1. Across-the-Board One Percent Reductions

	FY 2010		FY 2011	
	FTE	Funding	FTE	Funding
<b>ETF Request</b>				
<b>Governor's Recommendations</b>	-	(\$260,300)	-	(\$260,300)
<b>Joint Committee on Finance</b>				
<b>Legislature</b>				
<b>Final Enacted Budget</b>				

**Governor's Recommendation:** Reduce most non-federal state agency state operations appropriations by one percent to create additional efficiencies and balance the state budget. This cut is applied equally to the three Department administrative appropriations.

### 2. Domestic Partner Status for Certain Wisconsin Retirement System (WRS) Benefit Programs

**Governor's Recommendation:** Modify the definition of a dependent for the purposes of certain WRS programs including health insurance, duty disability, accumulated sick leave conversion credits, joint survivor annuity options, long-term care insurance, division of a WRS or Wisconsin Deferred Compensation (WDC) account due to a domestic relations order, death benefits, and beneficiary designations to include a domestic partner. A domestic partner is defined as an individual who is in a relationship with another individual where both individuals are at least 18 years of age, neither individual is married or in another domestic partner relationship, the two individuals are not related by blood in any way that would prohibit marriage, the two individuals consider themselves to be members of each other's immediate family, and the two individuals agree to be responsible for each other's basic living expenses. This provision would be effective for insurance coverage that begins on or after January 1, 2011, and immediately upon enactment into law for the other provisions.

### 3. WRS Benefits for Certain Part-time Staff

**Governor's Recommendation:** Modify WRS eligibility standards for educational support staff to use the teacher definition of full-time (440 hours per year) when determining if individuals meet the one third time requirement for WRS participation. Under current law, education support staff must meet the one third time requirement used for non-teacher participants (600 hours per year). In addition, for the purposes of calculating the actuarial reduction for certain early retirement participants with part-time service in at least five of the 10 years immediately preceding termination, creditable service shall be calculated using the full-time definition of a year for teacher participants (full-time = 1320 hours per year). Under current law, creditable service for the purposes of determining the actuarial reduction is calculated using the equivalent of 1904 hours as one year of service for non-teacher participants. These provisions would be effective immediately upon enactment into law.

#### **4. Transfer of the BadgerRx Gold Program to the Department of Health Services**

**Governor's Recommendation:** Transfer the administration of the BadgerRx Gold program from the Department of Employee Trust Funds to the Department of Health Services. The BadgerRx Gold program allows Wisconsin residents with prescription drug coverage to purchase prescription drugs included on the formulary for the GIB-administered health plans at discounted prices. The transfer is effective January 1, 2011.

#### **5. Consolidation of Human Resource Staff into the Office of State Employment Relations (OSER)**

**Governor's Recommendation:** The Secretary of the Department of Administration (DOA), along with the OSER Director will identify and abolish all positions used for human resource functions in executive branch agencies other than the University of Wisconsin by July 1, 2011. Some of the affected individuals would be transferred to OSER. Human resource functions currently performed by agencies would be performed by OSER. OSER would be authorized to bill executive branch agencies for all human resource services.

#### **6. Health Insurance Coverage of Children Through Age 26**

**Governor's Recommendation:** Requires the GIB-administered health plans to provide coverage for children through age 26 unless that child is married, has other health coverage, or is working full-time and is eligible for employer sponsored health coverage. This provision would be effective for the 2011 plan year.

#### **7. Consolidation of Various State Agency Functions**

**Governor's Recommendation:** This provision allows the DOA Secretary to consolidate various state agency functions such as call centers, payroll functions, customer service functions and legal services. The Secretary is authorized to reassign employees to other agencies to effect these consolidations.

#### **8. Elimination of Positions that Have Been Vacant for One Year or More**

**Governor's Recommendation:** Authorizes the DOA Secretary to eliminate any state agency position that has been vacant for at least one year. The associated funding would lapse to the underlying fund source.

#### **9. Includes Proposed Regional Transit Authorities as Eligible WRS Employers**

**Governor's Recommendation:** Modifies the definition of a state agency for the purposes of the WRS to include the proposed regional transit authorities.



STATE OF WISCONSIN  
Department of Employee Trust Funds  
David A. Stella  
SECRETARY

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**CORRESPONDENCE MEMORANDUM**

**DATE:** March 2, 2009  
**TO:** Employee Trust Funds Board  
**FROM:** Marcia Blumer, Program Manager  
Employee Reimbursement Accounts Program  
**SUBJECT:** Administrative Services Contract for  
Employee Reimbursement Accounts (ERA) Program

**Staff requests that the Employee Trust Funds Board (Board) approve the release of a Request for Proposals (RFP) for administration of the Wisconsin Employee Reimbursement Accounts (ERA) program and the Commuter Benefits program.**

Discussion

The current contract period for third party administration of the ERA Program and Commuter Benefits is from January 1, 2006, to December 31, 2008, with the possibility of two one-year extensions. At the March 2008 meeting, the Board authorized a one-year contract extension through December 31, 2009. Because the Department is scheduled to rebid a number of contracts in 2010, the Department proposes a contract rebid in 2009 instead to conserve 2010 staff resources.

ETF staff has developed a draft RFP that incorporates all the current administrative services contract requirements for the ERA and Commuter Benefits programs. Selection of a third party administrator must be made by June 2009 so that the vendor chosen will have time to design and implement a plan for the fall enrollment period.

Department staff will proceed with the RFP distribution as outlined in the tentative timetable below. Staff will then present the results of the proposal evaluation process and a recommendation for award of the contract at the June 19, 2009, ETF Board meeting.

<u>Action</u>	<u>Date</u>
1) Issue RFP	March 23, 2009
2) Proposals due	April 28, 2009
3) ETF Board vendor approval	June 19, 2009
4) Contract start date (if new vendor)	July 1, 2009
5) Contract start date (if current vendor)	January 1, 2010

A draft of the RFP is available to any interested Board member for review. The RFP issue date may be delayed to incorporate any comments or suggestions offered by the Board.

Reviewed and approved by Tom Korpady, Division of Insurance Services.

Signature

Date

Board	Mtg Date	Item #
ETF	3/20/09	7

### Program Information

Fringe Benefits Management Company (FBMC) has been the administrator of the ERA Program since its inception in 1989. The administrative expenses of the ERA program are funded through three sources: account forfeitures, interest income on the contributions, and fees contributed by each state agency. The monthly fee paid by State agencies is based on the number of health insurance contracts with an employer-paid share that the agency reports to ETF. The employer share in 2009 is \$.50/contract/month.

The current contract with FBMC provides for no administrative fee increase through 2010. The ERA Program administration fee includes a monthly base rate of \$16,625 plus \$1.65/participant/month for the first 8,000 participants and \$1.38/participant/month for each participant over 8,000. In addition to the monthly administrative fees, the contract requires that FBMC provide enrollment services for each plan year. Under the current contract, costs for enrollment services will also remain level at \$180,719 for annual enrollment periods through the fall of 2010.

The Commuter Benefits Program was first offered to state employees in October 2002, following a statutory change allowing the Department to administer such a program. The contract with FBMC was amended at that time to provide program administration and is included in the current contract with FBMC. The cost of administering this program is \$6,133.08/month plus \$1.30/participant/month for the first 2,000 participants and \$1.00/participant/month for each participant over 2,000. Under the current contract, these costs will remain level through 2010. The administrative expenses of the Commuter Benefits program are funded through interest income on the contributions and an annual charge to state agencies based on the number of employees who participate in the program.

For 2009, 13,195 employees have enrolled in the ERA Program: 10,979 employees elected medical expense accounts; 2,216 employees elected dependent care accounts; and 1,253 have both accounts. Contributions will total over \$14.6 million for medical reimbursement accounts and almost \$8.9 million for dependent care accounts, resulting in a FICA savings of approximately \$1.8 million to the State. As of February 1, 2009, there are 1,261 Commuter Benefits participants.

The medical expense account forfeitures for the 2007 plan year were \$216,699 or about 1.6% of contributions. This is a slight decrease from 2006 when forfeitures amounted to 1.8% of contributions. Dependent care expense account forfeitures totaled \$52,152 or about 0.6% of contributions. This compares with 0.8% dependent care forfeiture rate experienced in 2006. Forfeiture amounts for the 2008 plan year will not be finalized until June 30, 2009.

I will be available at the March meeting to answer any question you may have.



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**CORRESPONDENCE MEMORANDUM**

**DATE:** March 5, 2009

**TO:** Executive Committee  
Employee Trust Funds (ETF) Board

**FROM:** Pam Henning, Administrator  
Division of Management Services

**SUBJECT:** Proposed Steps/Timelines for the ETF Secretary's Evaluation Process and Managerial Survey

**The Board is asked to review the two attachments and provide feedback in order to finalize the two documents.**

**Background**

At the December 12, 2008, ETF Board (Board) meeting, the Board reviewed and approved a performance evaluation document to assist in evaluating the Secretary in June of each year. The Board also asked the Human Resources (HR) Director to prepare an evaluation timeline and managerial survey for review at the March 20, 2009, Board meeting. These two documents are attached for the Board's consideration.

The Board noted that the managerial survey results would be a helpful tool by providing additional information to consider as members evaluated the Secretary's performance. The proposed survey questions are aligned with the categories on the Secretary's evaluation form. The questions cover: management of operations; member/employer services; external relations; leadership; and staff development.

Because the Executive Committee and the Board have direct access to the Secretary on an ongoing basis, board relations questions were not included in the draft managerial survey.

**Recommendation**

The Department recommends that the survey be sent to ETF's division/deputy administrators, chief information officer, office directors, bureau directors, and general counsel (21 positions). The Department will continue to periodically conduct an all staff survey on a variety of topics and the results will be discussed with the Executive Committee, as they were with the former Performance Evaluation Committee.

I will be available at the Executive Committee and ETF Board meetings to discuss this memo and proposal as well as answer any questions.

Attachment: A. Proposed Steps/Timeline

Board	Mtg Date	Item #
EXC	03/19/09	5
ETF	03/20/09	8

## B. Proposed Managerial Survey

Attachment A

### Proposed Steps/Timelines ETF Secretary Evaluation Process and Managerial Survey

*Note: Proposed dates are driven by the State's Non-Represented Employee Compensation Plan that outlines possible pay increases for covered positions.*

Month	Steps	Responsibility
March	<p>Review managerial survey.</p> <p>Finalize survey with input from Board and distribute electronic survey to managers by 3/30.</p>	<p>Board</p> <p>HR Director</p>
April	<p>Compile managerial survey results and prepare summary for HR Director; review by 4/23.</p> <p>Distribute draft managerial survey report to Executive Committee for review/comments by 4/27.</p>	<p>Survey staff/HR Director</p> <p>HR Director/Executive Committee</p>
May	<p>Incorporate Executive Committee comments and finalize the managerial survey report by 5/8.</p> <p>Distribute final managerial survey report and Secretary performance evaluation template to Board by 5/11. Include Secretary's annual accomplishments and his/her response to overall performance expectations for the fiscal year.</p> <p>Return completed Secretary performance evaluation forms to HR Director by 5/22.</p> <p>Compile and summarize the Board's evaluation results and send results to the Executive Committee by 5/29 for review and comments.</p>	<p>HR Director/Executive Committee</p> <p>HR Director</p> <p>Board</p> <p>HR Director</p>
June	<p>Executive Committee meets or conducts a conference call to discuss results of the Board evaluations by 6/5.</p> <p>Distribute performance evaluation results to Executive Committee and Board prior to June Board meeting by mail or e-mail.</p> <p>Board conducts a performance evaluation review of the Secretary at the June meeting.</p>	<p>HR Director/Executive Committee</p> <p>HR Director</p> <p>Board</p>

Note: Highlighted steps involve the Board or Executive Committee.



# Managers' Survey of ETF Secretary

## 1. ETF Secretary's Agency Oversight and Administration

### 1. Management of Operations

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1. Oversees budget, staff, and operating resources in a responsible manner.	jn	jn	jn	jn	jn
2. Ensures compliance with federal/state laws, rules, contracts and policies.	jn	jn	jn	jn	jn
3. Submits reasonable budget requests that address important priorities/needs.	jn	jn	jn	jn	jn
4. Makes thoughtful/appropriate decisions after gaining input and analyzing the facts.	jn	jn	jn	jn	jn
5. Ensures operational consistency/stability through a qualified managerial team and consistently values their skills, knowledge, and contributions.	jn	jn	jn	jn	jn
6. Uses benchmark studies, surveys, and best practices to improve programs, processes, and service.	jn	jn	jn	jn	jn
7. Establishes proper controls and security measures to meet ETF's mission/objectives.	jn	jn	jn	jn	jn
8. Encourages the prudent use of technology.	jn	jn	jn	jn	jn
9. Oversees and monitors ETF's business continuity/disaster recovery plans.	jn	jn	jn	jn	jn

### 2. Member/Employer Services

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1. Uses various methods/tools to inform members about potential/actual benefit changes (legislation, regulations, policies, etc.).	jn	jn	jn	jn	jn
2. Ensures members receive accurate and professional responses to questions and information requests.	jn	jn	jn	jn	jn
3. Seeks partnerships with employers and a wide range of government organizations.	jn	jn	jn	jn	jn
4. Demonstrates/encourages open communication with Wisconsin Retirement System state/local employers.	jn	jn	jn	jn	jn
5. Solicits feedback from members/stakeholders on communication and service preferences.	jn	jn	jn	jn	jn

### 3. External Relations

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1. Maintains effective communication with external entities/stakeholders (Legislature, Governor's Office, State of Wisconsin Investment Board, government officials and the public).	jn	jn	jn	jn	jn
2. Maintains awareness of state/national influences and activities.	jn	jn	jn	jn	jn
3. Works to enhance the agency's reputation and image.	jn	jn	jn	jn	jn
4. Desires and seeks input from state/federal benefit associations and interest groups.	jn	jn	jn	jn	jn
5. Understands and pursues a legislative program that protects members' legal benefit rights and benefit program stability.	jn	jn	jn	jn	jn
6. Ensures legislative and regulatory activities are monitored and analyzed.	jn	jn	jn	jn	jn
7. Maintains effective media relations and serves as spokesperson, when appropriate.	jn	jn	jn	jn	jn
8. Conveys the need for ongoing professional relationships with outside parties.	jn	jn	jn	jn	jn

# Managers' Survey of ETF Secretary

## 4. Staff Development

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1. Attracts, retains, and motivates quality employees.	jn	jn	jn	jn	jn
2. Creates an atmosphere that fosters teamwork, creativity, and participation.	jn	jn	jn	jn	jn
3. Works to ensure low turnover by maintaining staff satisfaction.	jn	jn	jn	jn	jn
4. Encourages staff training/other programs to develop skill sets and provide for career advancement, within budget parameters.	jn	jn	jn	jn	jn
5. Demonstrates a collaborative managerial style involving others in decision-making.	jn	jn	jn	jn	jn
6. Identifies and understands issues and takes appropriate steps to resolve them.	jn	jn	jn	jn	jn
7. Keep employees informed of key events or activities.	jn	jn	jn	jn	jn
8. Addresses succession planning for key positions.	jn	jn	jn	jn	jn
9. Encourages workplace diversity and assures managerial compliance with human resources laws and policies.	jn	jn	jn	jn	jn

## 5. Leadership

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1. Instills a sense of confidence and is viewed as a skilled and trusted leader.	jn	jn	jn	jn	jn
2. Uses strategic planning team approaches to set goals and prepare for the future.	jn	jn	jn	jn	jn
3. Leads organization with a vision and provides clear direction to staff.	jn	jn	jn	jn	jn
4. Provides for effective and efficient daily management.	jn	jn	jn	jn	jn
5. Rewards excellence in various ways and offers a supportive work environment.	jn	jn	jn	jn	jn
6. Maintains awareness of employee benefit program trends and responds to change.	jn	jn	jn	jn	jn
7. Delegates authority/responsibility in an appropriate manner.	jn	jn	jn	jn	jn
8. Invites and welcomes innovative ideas.	jn	jn	jn	jn	jn
9. Acts in an open and ethical manner.	jn	jn	jn	jn	jn